



DOCKET NO. 20220146-PU

Attorneys and Counselors at Law  
123 South Calhoun Street  
P.O. Box 391 32302  
Tallahassee, FL 32301

P: (850) 224-9115  
F: (850) 222-7560

[ausley.com](http://ausley.com)

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August 24, 2022

**VIA: ELECTRONIC FILING**

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

Re: Joint Application of Tampa Electric Company and Peoples Gas System for  
Authority to Issue and Sell Securities pursuant to Section 366.04, Florida Statutes,  
and Chapter 25-8, Florida Administrative Code.

Dear Mr. Teitzman:

Attached for filing in the above-styled matter is the Joint Application of Tampa Electric  
Company and Peoples Gas System for Authority to Issue and Sell Securities for the year ending  
December 31, 2023.

Thank you for your assistance in connection with this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Jeffrey Wahlen', with a long horizontal flourish extending to the right.

J. Jeffrey Wahlen

JJW/ne  
Attachment

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint Application of Tampa Electric )  
Company and Peoples Gas System for )  
authority to issue and sell )  
securities pursuant to Section 366.04, )  
Florida Statutes and Chapter 25-8, )  
Florida Administrative Code )  
\_\_\_\_\_)

DOCKET NO. \_\_\_\_\_

Filed: August 24, 2022

**JOINT APPLICATION OF  
TAMPA ELECTRIC COMPANY AND PEOPLES GAS SYSTEM  
FOR AUTHORITY TO ISSUE AND SELL SECURITIES**

Pursuant to Section 366.04, Florida Statutes and Rule 25-8.001, et seq., Florida Administrative Code, Tampa Electric Company (“Tampa Electric” or the “Company”) and Tampa Electric Company d/b/a Peoples Gas System (“PGS”) file this Joint Application for authority to issue and/or sell securities for the year ending December 31, 2023, and say:

I.

Introduction

1. The exact name of Tampa Electric and the address of its principal business office are as follows: Tampa Electric Company, 702 North Franklin Street, Tampa, Florida, 33602.
2. Tampa Electric is a Florida corporation, was incorporated in 1899, and was reincorporated in 1949.
3. The exact name of PGS and the address of its principal business office are as follows: Tampa Electric Company d/b/a Peoples Gas System, 702 North Franklin Street, Tampa, Florida, 33602.
4. PGS became an operating division of Tampa Electric in 1997 when TECO Energy, Inc. purchased Peoples Gas System, Inc. and merged that corporation into Tampa

Electric Company. Since then, PGS been regulated as a stand-alone utility, had its own tariff and its own books and records, conducted its own rate cases, and had its own regulatory team. PGS has been a division of Tampa Electric, and not a separate legal entity; therefore, the applications for authority to issue securities submitted by Tampa Electric since 1997 have addressed the borrowing needs of Tampa Electric Company, the electric company, and PGS, its local gas distribution division.

5. Tampa Electric's electric and PGS's local gas distribution activities are subject to regulation by the Florida Public Service Commission ("FPSC" or "Commission") under Chapter 366, Florida Statutes.
6. The names and addresses of persons authorized to receive notices and communications with respect to this Joint Application are as follows:

J. Jeffry Wahlen  
[jwahlen@ausley.com](mailto:jwahlen@ausley.com)  
Malcolm N. Means  
[mmeans@ausley.com](mailto:mmeans@ausley.com)  
Virginia L. Ponder  
[vponder@ausley.com](mailto:vponder@ausley.com)  
Ausley & McMullen  
P. O. Box 391  
Tallahassee, FL 32302  
(850) 224-9115

Paula K. Brown  
[regdept@tecoenergy.com](mailto:regdept@tecoenergy.com)  
Manager, Regulatory Coordination  
Tampa Electric Company  
P. O. Box 111  
Tampa, FL 33601  
(813) 228-1444

## II.

### Planned Transaction

7. With a target date of January 1, 2023, Tampa Electric is preparing to transfer the assets used by its PGS division into a separate corporation called Peoples Gas System, Inc., which would be a wholly owned subsidiary of a newly formed gas operations holding company, TECO Gas Operations, Inc., which would be a subsidiary of TECO Energy, Inc. ("Planned Transaction").

8. The Planned Transaction will be seamless to customers and will not involve substantive changes to PGS's tariffs, territorial agreements, or special contracts. The new Peoples Gas System, Inc. will continue to deliver the high level of quality service to its customers using the same customer service organization, personnel, phone numbers, email addresses, and remote access opportunities. The trucks, uniforms, signs, and other items visible to customers will not change due to the transaction.
9. On January 1, 2023, the assets, liabilities, and equity that have been recorded in the books of PGS and reported in its Annual Report to the Commission and Earnings Surveillance Reports are planned to be legally moved from Tampa Electric to the newly formed Peoples Gas System, Inc. Included in the liabilities transferred will be PGS's allocation of outstanding unsecured notes issued by Tampa Electric and outstanding short-term borrowings that are planned to be converted into an Intercompany Debt Agreement with Tampa Electric, with interest rates on each allocation being maintained accordingly. During 2023, Tampa Electric will provide additional short-term debt funding to Peoples Gas System, Inc. through the Intercompany Debt Agreement at Tampa Electric's prevailing cost of short-term debt borrowings. The Intercompany Debt Agreement will remain outstanding until Peoples Gas System, Inc. pays Tampa Electric all principal and interest due on the Intercompany Debt Agreement, which is planned to occur during 2023, funded by Peoples Gas System, Inc.'s issuance of its own long-term debt and/or short-term borrowings. The initial obligation of Peoples Gas System, Inc. under the Intercompany Debt Agreement is expected to be approximately \$800 million. The total amount of borrowing available to Peoples Gas System, Inc. under the Intercompany Debt Agreement will be approximately \$1.2 billion.



10. Peoples Gas System, Inc. intends to access the third-party lending market during 2023 but cannot predict when during 2023 that it will do so. To assist its affiliate and to facilitate an orderly transfer of its gas assets, Tampa Electric has agreed to continue to be responsible for providing capital as needed to Peoples Gas System, Inc. under the Intercompany Debt Agreement until December 31, 2023. Consequently, Tampa Electric will need long- and short-term securities issuance authority in 2023 to cover the needs of its electric operations and the gas operations of its affiliate, Peoples Gas System, Inc., up to a total of \$2.2 billion. In addition, Peoples Gas System, Inc. will need short- and long-term securities issuance authority in 2023 to cover its obligation under the planned Intercompany Debt Agreement and with third-party lenders in an amount equal to approximately \$1.4 billion. Parts III and IV of this Joint Application contain the information required to obtain these levels of securities issuance authority for Tampa Electric and Peoples Gas System, Inc., respectively.

### III.

#### 2023 Tampa Electric Company Application for Authority to Issue Securities

11. For Tampa Electric, as of June 30, 2022, the date of the balance sheet submitted with this Application, the following information is shown for each class and series of capital stock and funded debt:

(a) Brief description	(b) Amount authorized (face value and number of shares)	(c) Amount outstanding (exclusive of any amount held in the treasury)	(d) Amount held as reacquired securities	(e) Pledged by applicant	(f) Amount owned by affiliated corporations	(g) Amount held in any fund
<b>Common Stock</b>	25,000,000 shares, without par value	10 shares	None	None	10 shares	None
<b>Preferred Stock</b>	2,500,000 shares with no par value, 1,500,000 shares with \$100 par value per share	None	None	None	None	None
<b>Preference Stock - Subordinated Preferred Stock</b>	2,500,000 shares, with no par value	None	None	None	None	None
<b>Funded Debt:</b>						
<b>Tampa Electric division</b>						
Unsecured Notes:						
2.60% Series, due 2022	225,000,000	225,000,000	None	None	None	None
6.55% Series, due 2036	250,000,000	250,000,000	None	None	None	None
6.15% Series, due 2037	190,000,000	190,000,000	None	None	None	None
4.10% Series, due 2042	250,000,000	250,000,000	None	None	None	None
4.35% Series, due 2044	290,000,000	290,000,000	None	None	None	None
4.20% Series, due 2045	230,000,000	230,000,000	None	None	None	None
4.30% Series, due 2048	275,000,000	275,000,000	None	None	None	None
4.45% Series, due 2049	350,000,000	350,000,000	None	None	None	None
3.625% Series, due 2050	275,000,000	275,000,000	None	None	None	None
2.40% Series, due 2031	285,000,000	285,000,000	None	None	None	None
3.45% Series, due 2051	285,000,000	285,000,000	None	None	None	None
<b>Peoples Gas System division</b>						
Unsecured Notes:						
2.60% Series, due 2022	25,000,000	25,000,000	None	None	None	None
6.15% Series, due 2037	60,000,000	60,000,000	None	None	None	None
4.10% Series, due 2042	50,000,000	50,000,000	None	None	None	None
4.35% Series, due 2044	10,000,000	10,000,000	None	None	None	None
4.20% Series, due 2045	20,000,000	20,000,000	None	None	None	None
4.30% Series, due 2048	75,000,000	75,000,000	None	None	None	None
4.45% Series, due 2049	25,000,000	25,000,000	None	None	None	None
3.625% Series, due 2050	25,000,000	25,000,000	None	None	None	None
2.40% Series, due 2031	115,000,000	115,000,000	None	None	None	None
3.45% Series, due 2051	115,000,000	115,000,000	None	None	None	None
<b>Total Funded Debt</b>	<b>\$3,425,000,000</b>	<b>\$3,425,000,000</b>				

12. Statement of Proposed Transactions

- (a) Tampa Electric seeks the authority to issue, sell and/or exchange equity securities and issue, sell, exchange and/or assume long-term or short-term debt securities and/or to assume liabilities or obligations as guarantor, endorser or surety during the period covered by this Application. The Company also seeks authority to enter into interest rate swaps or other derivative instruments related to debt securities. Any exercise of the requested authority will be for the benefit of the Company or its affiliate Peoples Gas System, Inc. under the Intercompany Debt Agreement. In connection with this application, the Company confirms that the capital raised pursuant to this application will be used in connection with the activities of the Company's regulated electric and gas divisions, or its affiliate Peoples Gas System, Inc. under the Intercompany Debt Agreement, and not the unregulated activities of the utilities or their affiliates.

The equity securities may take the form of preferred stock, preference stock, common stock, or options or rights with respect to the foregoing with such par values, terms and conditions, conversion, and relative rights and preferences as may be permitted by the Company's Restated Articles of Incorporation, as the same may be amended to permit the issuance of any such securities. The long-term debt securities may take the form of first mortgage bonds, debentures, notes, bank borrowings, convertible securities, or options, rights, interest rate swaps, or other derivative instruments with respect to the foregoing, with maturities ranging from one to 100 years, and may be issued in both domestic and international markets.

The issuance and/or sale of equity securities and long-term debt requested may be through negotiated underwritten public offering, public offering at competitive bidding, direct public or private sale, sale through agents, or distribution to security holders of the Company or affiliated companies.

The short-term debt may take the form of commercial paper, short-term tax-exempt notes, borrowings under bank credit facilities, or other bank borrowings. Short-term debt sold in the commercial paper market may bear an interest rate as determined by the market price at the date of issuance and will mature not more than one year from the date of issuance.

- (b) The amount of all equity and long-term debt securities issued, sold, exchanged, or assumed and liabilities and obligations assumed or guaranteed as guarantor, endorser, or surety will not exceed in the aggregate \$1.5 billion during the period covered by this Application, including any amounts issued to retire existing long-term debt securities. The maximum amount of short-term debt, as described above, outstanding at any one time, will be \$2.2 billion.
- (c) With respect to equity and long-term debt securities and liabilities and obligations to be assumed or guaranteed as grantor, endorser, or surety; the amount of \$300 million is needed for potential long-term emergency funding; and the amount of \$1.2 billion is needed based on projected long-term debt levels and for other purposes (swaps, re-financings, etc.). With respect to short-term debt, the amount of up to \$2.2 billion at any time outstanding is needed to enable the Company to fully draw existing short-term credit facilities including what may be needed to avail the Company of short-term emergency funding and other purposes.

- (d) The interest rate that Tampa Electric could pay on debt securities will vary depending on the type and terms of debt instrument, including the term of the debt along with market conditions at the time of the debt offering. On July 12, 2022, Tampa Electric issued two new series of fixed-rate notes with terms to maturity of 2 years and 30 years. The 2-year notes carry a yield to maturity of 3.895% and the 30-year notes carry a yield to maturity of 5.008%. Actual dividend rates for the aforementioned equity securities and interest rates will be determined at the time of the issuance and/or sale of the applicable securities.

13. Purpose of Issuance

Proceeds from any sale of securities will be added to the Company's general funds and used for working capital requirements and for other general business purposes, including financing of the Company's capital investments (electric and gas to the extent needed by PGS) or the acquisition of additional properties or businesses. The net proceeds received from the sale of securities may also be used for the repurchase or repayment of debt or equity securities of the Company.

(a) Construction

Although the 2023 business plan is still preliminary, the electric division of the Company currently estimates that construction expenditures during the 12 months ending December 31, 2023, will be \$1.151 billion. Capital requirements for major generating plants and transmission lines requiring certification of needs includes:

<u>Projects (Millions)</u>	<u>Actual Capital to date</u>	<u>2023 Amount</u>
Not Applicable	-	-

The gas division of the Company currently estimates that construction expenditures during the 12 months ending December 31, 2023, will be \$333 million for maintenance and system expansion.

(b) Reimbursement of the Treasury

Among the general business purposes for which any net proceeds may be used is the reimbursement of the treasury for expenditures by the Company against which securities will not have been issued in advance.

(c) Refunding Obligations

One of the purposes of issuing the securities referred to herein will be to repay previously issued short-term debt, of the type described in paragraph 12, which matures from time to time on a regular basis. Subject to market conditions, the Company may refund such short-term debt with new short-term debt, long-term debt or preferred or preference stock.

In addition, the Company is continuing to monitor and evaluate market conditions in anticipation of refunding or refinancing long-term obligations where it is legally and economically feasible to do so. Recognizing that changes in market conditions could make such refunding transactions feasible, the Company is requesting authority to issue long-term debt and/or preferred or preference stock within a limitation that

provides the Company with sufficient flexibility to respond to refunding or refinancing opportunities.

14. The Company submits that the proposed issuance and sale of securities is for lawful objectives within the corporate purposes of the Company, is necessary for the proper performance by the two divisions of the Company as public utilities, or to satisfy its Intercompany Debt Agreement with Peoples Gas System, Inc. during 2023, is compatible with the public interest and is reasonable, necessary, and appropriate. In support thereof the Company states that the proposed issuance and sale of securities and the proposed application of funds derived therefrom, as described in paragraphs 12 and 13 above, are consistent with similar actions the Company in the past has found to be lawful, reasonable, necessary, and appropriate for the conduct of its business. The Company further states that this application for authority to issue and sell securities is consistent in its objectives with those of applications the Company has filed, and this Commission has found to be lawful, reasonable, necessary, and appropriate, on numerous occasions in the past.
15. The names and addresses of counsel who will pass upon the legality of the proposed issuances are: David M. Nicholson, General Counsel, Tampa Electric Company, Tampa, Florida; Michelle V. Szekeres, Associate General Counsel, Tampa Electric Company, Tampa, Florida; Holland & Knight LLP, Tampa, Florida; and/or Locke Lorde LLP, Boston, Massachusetts and/or such other counsel as the Company may deem necessary in connection with any of the proposed issuances.
16. A Registration Statement with respect to each public offering of securities hereunder that is subject to and not exempt from the registration requirements of the Securities

Act of 1933, as amended, will be filed with the Securities and Exchange Commission, 100 F St. N.E., Washington, D.C. 20549.

17. There is no measure of control or ownership exercised by or over the Company as to any other public utility except as noted below.

On April 14, 1981, the Company's shareholders approved a restructuring plan under which the Company and its subsidiaries became separate wholly owned subsidiaries of a holding company, TECO Energy, Inc. On July 1, 2016, TECO Energy, Inc. became a wholly owned subsidiary of Emera US Holdings Inc., a wholly owned subsidiary of Emera Inc.

18. Required Exhibits.

The following exhibits required by Rule 25-8.003, Florida Administrative Code, are either attached hereto or incorporated by reference herein and made a part hereof:

- (a) Exhibit A: Items 1 through 5 are being satisfied through the provision of financial statements as follows:
  - (i) Attached as Exhibit A-1 (2021 Form 10-K)
  - (ii) Attached as Exhibit A-2 (Most Recent Quarterly 2022 Form 10-Q)
- (b) Exhibit B: Projected Financial Information (Sources and Uses of Funds Statements and Construction Budgets)



#### IV.

##### 2023 Peoples Gas System, Inc. Application for Authority to Issue Securities

19. As of June 30, 2022, the date of the Tampa Electric balance sheet submitted with this Application, the following information is shown for the PGS allocation of each class and series of capital stock, long-term debt, and short-term debt:

(a) Brief description	(b) Amount authorized (face value and number of shares)	(c) Amount outstanding (exclusive of any amount held in the treasury)	(d) Amount held as reacquired securities	(e) Pledged by applicant	(f) Amount owned by affiliated corporations	(g) Amount held in any fund
<b>Common Stock</b> (Tampa Electric Company)	25,000,000 shares, without par value	10 shares (None allocated to PGS)	None	None	10 shares	None
<b>Preferred Stock</b> (Tampa Electric Company)	2,500,000 shares with no par value, 1,500,000 shares with \$100 par value per share	None	None	None	None	None
<b>Preference Stock - Subordinated Preferred Stock</b> (Tampa Electric Company)	2,500,000 shares, with no par value	None	None	None	None	None
<b>Peoples Gas System division</b>						
Unsecured Notes Allocation:						
2.60% Series, due 2022	25,000,000	25,000,000	None	None	None	None
6.15% Series, due 2037	60,000,000	60,000,000	None	None	None	None
4.10% Series, due 2042	50,000,000	50,000,000	None	None	None	None
4.35% Series, due 2044	10,000,000	10,000,000	None	None	None	None
4.20% Series, due 2045	20,000,000	20,000,000	None	None	None	None
4.30% Series, due 2048	75,000,000	75,000,000	None	None	None	None
4.45% Series, due 2049	25,000,000	25,000,000	None	None	None	None
3.625% Series, due 2050	25,000,000	25,000,000	None	None	None	None
2.40% Series, due 2031	115,000,000	115,000,000	None	None	None	None
3.45% Series, due 2051	115,000,000	115,000,000	None	None	None	None
<b>Total Long-Term Debt</b>	<b>\$520,000,000</b>	<b>\$520,000,000</b>				
Short-Term Debt Allocation:						
One-Year Term Loan, due 2022	100,000,000	100,000,000	None	None	None	None
Commercial Paper	98,345,000	98,345,000	None	None	None	None
<b>Total Short-Term Debt</b>	<b>\$198,345,000</b>	<b>\$198,345,000</b>				
<b>Total Debt Allocation</b>	<b>\$718,345,000</b>	<b>\$718,345,000</b>				

#### 20. Statement of Proposed Transactions

- (a) As discussed above, on January 1, 2023, a new wholly owned subsidiary of TECO Energy, Inc., Peoples Gas System, Inc., is planned to be created. On January 1, 2023,

the assets, liabilities, and equity that have been recorded in the books of PGS and reported in its Annual Report to the Florida Public Service Commission and Earnings Surveillance Reports are planned to be legally moved from Tampa Electric to the newly formed Peoples Gas System, Inc. Included in the liabilities transferred will be PGS's allocation of Tampa Electric's outstanding unsecured notes listed above and outstanding short-term borrowings that are planned to be converted into an Intercompany Debt Agreement with Tampa Electric, with interest rates on each allocation being maintained accordingly. During 2023, short-term debt funding will be provided to Peoples Gas System, Inc. through the Intercompany Debt Agreement at Tampa Electric's prevailing cost of short-term debt borrowings. The Intercompany Debt Agreement will remain outstanding until Peoples Gas System, Inc. pays Tampa Electric all principal and interest due on the Intercompany Debt Agreement, which is planned to occur during 2023, funded by Peoples Gas System, Inc.'s issuance of its own long-term debt and/or short-term borrowings. The initial obligation of Peoples Gas System, Inc. under the Intercompany Debt Agreement is expected to be approximately \$800 million. Peoples Gas System, Inc. intends to access the third-party lending market during 2023 but cannot predict when during 2023 that it will do so. If necessary, Peoples Gas System, Inc. may obtain temporary short-term bank borrowings (used to retire the Intercompany Debt Agreement principal and interest) that would be replaced with a combination of long-term debt and short-term debt borrowings.

- (b) The planned Peoples Gas System, Inc. seeks the authority to issue, sell, and/or exchange equity securities and issue, sell, exchange, and/or assume long-term or short-term debt securities and/or to assume liabilities or obligations as guarantor, endorser,

or surety during the period covered by this Application. Peoples Gas System, Inc. also seeks authority to enter into interest rate swaps or other derivative instruments related to debt securities. Any exercise of the requested authority will be for the benefit of the Peoples Gas System, Inc. In connection with this application, Peoples Gas System, Inc. confirms that the capital raised pursuant to this application will be used in connection with the activities of Peoples Gas System, Inc.'s regulated gas distribution services and not the unregulated activities of the utility or its affiliates.

The equity securities may take the form of preferred stock, preference stock, common stock, or options or rights with respect to the foregoing with such par values, terms and conditions, conversion, and relative rights and preferences as may be permitted by Peoples Gas System, Inc.'s Articles of Incorporation, as the same may be amended to permit the issuance of any such securities. The long-term debt securities may take the form of first mortgage bonds, debentures, notes, bank borrowings, convertible securities, or options, rights, interest rate swaps, or other derivative instruments with respect to the foregoing, with maturities ranging from one to 100 years, and may be issued in both domestic and international markets.

The issuance and/or sale of equity securities and long-term debt requested may be through negotiated underwritten public offering, public offering at competitive bidding, direct public or private sale, sale through agents, or distribution to security holders of Peoples Gas System, Inc. or affiliated companies.

The short-term debt may take the form of commercial paper, short-term tax-exempt notes, borrowings under bank credit facilities, or other bank borrowings. Short-term debt sold in the commercial paper market may bear an interest rate as determined by the market price at the date of issuance and will mature not more than one year from the date of issuance.

- (c) The amount of equity (excluding equity moved from Tampa Electric to new Peoples Gas System, Inc. on January 1, 2023, as described above) and long-term debt securities issued, sold, exchanged, or assumed and liabilities and obligations assumed or guaranteed as guarantor, endorser, or surety (excluding the initial obligation assumed by Peoples Gas System, Inc. on January 1, 2023 under the Intercompany Debt Agreement of approximately \$800 million) will not exceed in the aggregate \$1.4 billion during the period covered by this Application, including any amounts issued to retire the Intercompany Debt Agreement with Tampa Electric and amounts needed for potential long-term emergency funding. The maximum amount of short-term debt, as described above to potentially retire the Intercompany Debt Agreement with Tampa Electric, outstanding at any one time and to avail Peoples Gas System, Inc. of short-term emergency funding and other purposes, will be \$1.2 billion.
- (e) The interest rates for the aforementioned debt securities to be issued by Peoples Gas System, Inc. will be subject to its own credit rating expected to be established in 2023. Actual dividend rates for the aforementioned equity securities and interest rates will be determined at the time of the issuance and/or sale of the applicable securities.

21. Purpose of Issuance

Proceeds from any sale of securities will be added to Peoples Gas System, Inc.'s general funds and used for working capital requirements and for other general business purposes, including financing Peoples Gas System, Inc.'s capital investments or the acquisition of additional properties or businesses. The net proceeds received from the sale of securities may also be used for the repurchase or repayment of debt or equity securities of Peoples Gas System, Inc., including the Intercompany Debt Agreement as discussed below in 21(c).

(a) Construction

Although the 2023 business plan is still preliminary, Peoples Gas System, Inc. currently estimates that construction expenditures during the 12 months ending December 31, 2023, will be \$333 million for maintenance and system expansion.

(b) Reimbursement of the Treasury

Among the general business purposes for which any net proceeds may be used is the reimbursement of the treasury for expenditures by Peoples Gas System, Inc. against which securities will not have been issued in advance.

(c) Refunding Obligations

One of the purposes of issuing the securities referred to herein will be to repay the planned Intercompany Debt Agreement, as described in paragraph 20, which is expected to occur during 2023. Subject to market conditions and establishment of Peoples Gas System, Inc.'s own credit rating during 2023, Peoples Gas System, Inc. may refund such short-term debt with new short-term debt, long-term debt or preferred or preference stock.

22. Peoples Gas System, Inc. submits that the proposed issuance and sale of securities is for lawful objectives within the corporate purposes of Peoples Gas System, Inc., is necessary for the proper performance by Peoples Gas System, Inc. as a public utility, is compatible with the public interest and is reasonable, necessary, and appropriate. In support thereof Peoples Gas System, Inc. states that the proposed issuance and sale of securities and the proposed application of funds derived therefrom, as described in paragraphs 20 and 21 above, are consistent with similar actions PGS, as a division of Tampa Electric, in the past has found to be lawful, reasonable, necessary, and appropriate for the conduct of its business. Peoples Gas System, Inc. further states that this application for authority to issue and sell securities is consistent in its objectives with those of applications PGS, as a division of Tampa Electric, has filed, and this Commission has found to be lawful, reasonable, necessary, and appropriate, on numerous occasions in the past.
23. The names and addresses of counsel who will pass upon the legality of the proposed issuances are: David M. Nicholson, General Counsel, Tampa Electric Company, Tampa, Florida; Michelle V. Szekeres, Associate General Counsel, Tampa Electric Company, Tampa, Florida; Holland & Knight LLP, Tampa, Florida; and/or Locke Lorde LLP, Boston, Massachusetts and/or such other counsel as the Company may deem necessary in connection with any of the proposed issuances.
24. There is no measure of control or ownership exercised by or over Peoples Gas System, Inc. as to any other public utility except as noted below.

On April 14, 1981, the Tampa Electric's shareholders approved a restructuring plan under which the Company and its subsidiaries became separate wholly owned

subsidiaries of a holding company, TECO Energy, Inc. PGS became an operating division of Tampa Electric in 1997 when TECO Energy, Inc. purchased Peoples Gas System, Inc. and merged that corporation into Tampa Electric. On July 1, 2016, TECO Energy, Inc. became a wholly owned subsidiary of Emera US Holdings Inc., a wholly owned subsidiary of Emera Inc. On January 1, 2023, the new corporate entity, Peoples Gas System, Inc., is planned to be formed and will be a wholly owned subsidiary of a newly formed gas operations holding company, TECO Gas Operations, Inc., which would be a subsidiary of TECO Energy, Inc.

25. Required Exhibits

The following exhibits required by Rule 25-8.003, Florida Administrative Code, are either attached hereto or incorporated by reference herein and made a part hereof:

- (a) Exhibit C: Items 1 through 5 are being satisfied through the provision of financial statements identified in the following:
  - (i) Attached as Exhibit C-1 (2021 Form 10-K)
  - (ii) Attached as Exhibit C-2 (Most Recent Quarterly 2022 Form 10-Q)
- (b) Exhibit D: Projected Financial Information (Sources and Uses of Funds Statements and Construction Budgets)

**WHEREFORE**, Tampa Electric and Peoples Gas System, Inc. respectfully request that the Commission enter its Order approving their applications for authority to issue and sell securities during the 12-month period ending December 31, 2023, in the amounts specified in paragraph 12 and 20, above.

**DATED** this 24<sup>th</sup> day of August 2022.

**JOINT APPLICANTS**

  
\_\_\_\_\_  
J. Jeffrey Wahlen

jwahlen@ausley.com

Malcolm N. Means

mmeans @ausley.com

Virginia L. Ponder

vponder@ausley.com

Ausley McMullen

123 South Calhoun Street

Tallahassee, FL 32301


850.224.9115

**ATTORNEYS FOR TAMPA  
ELECTRIC COMPANY AND  
PEOPLES GAS SYSTEM**

**TAMPA ELECTRIC COMPANY**

By:   
\_\_\_\_\_  
Jeffrey S. Chronister  
Vice President, Finance

**PEOPLES GAS SYSTEM**

By:   
\_\_\_\_\_  
Rachel Parsons  
Vice President, Finance and Planning



**JOINT APPLICATION OF TAMPA ELECTRIC COMPANY AND PEOPLES GAS  
SYSTEM INC. FOR AUTHORITY TO ISSUE AND SELL SECURITIES**

**INDEX TO EXHIBITS**

<u>EXHIBIT</u>	<u>BATES STAMPED PAGE NUMBER</u>
Exhibit A-1	21
Exhibit A-2	103
Exhibit B	134
Exhibit C-1	137
Exhibit C-2	219
Exhibit D	250

## **Exhibit A-1**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2021

OR

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No.	Exact name of each Registrant as specified in its charter, state of incorporation, address of principal executive offices, telephone number	I.R.S. Employer Identification Number
1-5007	TAMPA ELECTRIC COMPANY (a Florida corporation) TECO Plaza 702 N. Franklin Street Tampa, Florida 33602 (813) 228-1111	59-0475140

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
None		

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Indicate by check mark if Tampa Electric Company is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

YES ☐ NO ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether Tampa Electric Company is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark whether Tampa Electric Company has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether Tampa Electric Company is a shell company (as defined in Rule 12b-2 of the Act).  
YES ☐ NO ☒

The aggregate market value of Tampa Electric Company's common stock held by non-affiliates of the registrant as of June 30, 2021 was zero.

As of February 10, 2022, there were 10 shares of Tampa Electric Company's common stock issued and outstanding, all of which were held, beneficially and of record, by TECO Energy, Inc., an indirect wholly-owned subsidiary of Emera Inc.

Tampa Electric Company meets the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and is therefore filing this form with the reduced disclosure format specified in General Instruction I(2) of Form 10-K.

## DEFINITIONS

Acronyms and defined terms used in this and other filings with the U.S. Securities and Exchange Commission include the following:

Term	Meaning
AFUDC	allowance for funds used during construction
AFUDC-debt	debt component of allowance for funds used during construction
AFUDC-equity	equity component of allowance for funds used during construction
APBO	accumulated postretirement benefit obligation
ARO	asset retirement obligation
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BCF	billion cubic feet
CCRs	coal combustion residuals
CMO	collateralized mortgage obligation
CNG	compressed natural gas
CO <sub>2</sub>	carbon dioxide
COVID-19	coronavirus disease 2019
CPI	consumer price index
CT	combustion turbine
D.C. Circuit Court	D.C. Circuit Court of Appeals
ECRC	environmental cost recovery clause
Emera	Emera Inc., a geographically diverse energy and services company headquartered in Nova Scotia, Canada and the indirect parent company of Tampa Electric Company
EPA	U.S. Environmental Protection Agency
ERISA	Employee Retirement Income Security Act
EROA	expected return on plan assets
EUSHI	Emera US Holdings Inc., a wholly owned subsidiary of Emera, which is the sole shareholder of TECO Energy's common stock
FASB	Financial Accounting Standards Board
FDEP	Florida Department of Environmental Protection
FERC	Federal Energy Regulatory Commission
FPSC	Florida Public Service Commission
GHG	greenhouse gas
IGCC	integrated gasification combined-cycle
IRS	Internal Revenue Service
ITCs	investment tax credits
kWac	kilowatt on an alternating current basis
LNG	liquefied natural gas
MBS	mortgage-backed securities
MD&A	the section of this report entitled Management's Discussion and Analysis of Financial Condition and Results of Operations
MGP	manufactured gas plant
MMBTU	one million British Thermal Units
MRV	market-related value
MW	megawatt(s)
MWH	megawatt-hour(s)
NAV	net asset value
Note	Note to consolidated financial statements
NPNS	normal purchase normal sale
O&M expenses	operations and maintenance expenses
OCI	other comprehensive income
OPC	Office of Public Counsel
OPEB	other postemployment benefits
Parent	TECO Energy, Inc., the direct parent company of Tampa Electric Company
PBGC	Pension Benefit Guarantee Corporation
PBO	projected benefit obligation
PGA	purchased gas adjustment
PGS	Peoples Gas System, the gas division of Tampa Electric Company

PPA	power purchase agreement
PRP	potentially responsible party
R&D	research and development
REIT	real estate investment trust
RFP	request for proposal
ROE	return on common equity
Regulatory ROE	return on common equity as determined for regulatory purposes
S&P	Standard and Poor's
SCR	selective catalytic reduction
SEC	U.S. Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SoBRAs	solar base rate adjustments
SPP	storm protection plan
STIF	short-term investment fund
Tampa Electric	Tampa Electric, the electric division of Tampa Electric Company
TEC	Tampa Electric Company
TECO Energy	TECO Energy, Inc., the direct parent company of Tampa Electric Company
TSI	TECO Services, Inc.
U.S. GAAP	generally accepted accounting principles in the United States

#### **CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION**

This Form 10-K contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by TEC include those factors discussed herein, including those factors discussed with respect to TEC discussed in (a) Part I, Item 1A. Risk Factors, (b) Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part II, Item 8. Financial Statements: Note 8, Commitments and Contingencies; and (d) other factors discussed in filings with the SEC by TEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Report. TEC does not undertake any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this Form 10-K.

All references to "dollars" and "\$" in this and other filings with the U.S. Securities and Exchange Commission are references to U.S. dollars, unless specifically indicated otherwise.

## PART I

### Item 1. BUSINESS

Tampa Electric Company, referred to as TEC, was incorporated in Florida in 1899 and was reincorporated in 1949. TEC is a public utility operating within the State of Florida. TEC has two operating segments. Its electric division, referred to as Tampa Electric, provides retail electric service to approximately 810,600 customers in West Central Florida with a net winter system generating capacity of 5,919 MW at December 31, 2021. The gas division of TEC, referred to as PGS, is engaged in the purchase, distribution and sale of natural gas for residential, commercial, industrial and electric power generation customers in Florida. With approximately 445,300 customers, PGS has operations in Florida's major metropolitan areas. Annual natural gas throughput (the amount of gas delivered to its customers, including transportation-only service) in 2021 was approximately 1.9 billion therms. All of TEC's common stock is owned by TECO Energy, a holding company. TECO Energy is an indirect, wholly owned subsidiary of Emera. Therefore, TEC is an indirect, wholly owned subsidiary of Emera.

TEC makes its SEC filings available free of charge on Tampa Electric's website ([www.tampaelectric.com/company/about/](http://www.tampaelectric.com/company/about/)) as soon as reasonably practicable after they are filed with the SEC. TEC's electronic SEC filings are also available on the SEC's website ([www.sec.gov](http://www.sec.gov)).

#### TEC Revenues

TEC's revenues consist of sales to residential, commercial, industrial and other customers. TEC's residential load generally comprises individual homes, apartments and condominiums. Commercial customers include small retail operations, large office and commercial complexes, universities and hospitals. Industrial customers include manufacturing facilities, power generation customers and other large volume operations. Other sales volumes consist primarily of off-system sales to other utilities and revenues from street lighting.

For TEC's revenue and other financial information by operating segments, see **Note 11** to the **2021 Annual TEC Consolidated Financial Statements**.

#### TEC Human Capital

TEC had approximately 3,100 employees as of December 31, 2021, substantially all of whom are located in Florida.

Tampa Electric had approximately 2,420 employees as of December 31, 2021, of which 700 were represented by the International Brotherhood of Electrical Workers and 165 were represented by the Office and Professional Employees International Union. In December 2019, 370 TSI employees were transferred to Tampa Electric. The transfer of these employees to Tampa Electric created operational synergies in the organization but did not materially impact shared service costs or the TEC Consolidated Statement of Income.

PGS had approximately 680 employees as of December 31, 2021. Approximately 90 employees in four of PGS's 14 service areas and call center are represented by various union organizations.

TEC initiated a plan in March 2020 to manage the critical safety, operational and business risks associated with the COVID-19 pandemic. In March 2020, TEC launched a work-from-home plan for approximately 70% of the workforce and implemented policies and revised work practices to promote safe operations for the remaining field-based employees. TEC has commenced the initial phase of re-entry for those employees who had been working remote. This initial phase limits office capacity to 50% for these employees. COVID protocols have been developed to maintain employee health and safety.

In alignment with our efforts to promote inclusion and diversity, TEC has in place a company-wide Inclusion and Diversity initiative, which provides the organizational blueprint for achieving greater diversity and uniqueness of individuals and cultures and the varied perspectives they provide. Maintaining a robust pipeline of talent is crucial to TEC's ongoing success and is a key aspect of succession planning efforts across the organization.

TEC is committed to investing in its employees through training and development programs as well as a tuition assistance program to promote continued professional growth. TEC provides a competitive compensation package that includes base pay, annual short-term incentives based on the achievement of corporate goals and performance, long-term incentives (applicable to eligible employee population), and health and retirement benefits.

## **TAMPA ELECTRIC – Electric Operations**

TEC's Tampa Electric division is engaged in the generation, purchase, transmission, distribution and sale of electric energy. The retail territory served comprises an area of about 2,000 square miles in West Central Florida, including Hillsborough County and parts of Polk, Pasco and Pinellas Counties. The principal communities served are Tampa, Temple Terrace, Winter Haven, Plant City and Dade City. Tampa Electric engages in wholesale sales to utilities and other resellers of electricity. At December 31, 2021, Tampa Electric had two generating stations in or near Tampa, one generating station in southwestern Polk County, and 14 photovoltaic power stations (eight in Hillsborough County and six in Polk County).

The sources of Tampa Electric's operating revenue and MWH sales were as follows:

### **Tampa Electric Operating Revenue**

<i>(millions)</i>	2021	2020	2019
Residential	\$ 1,156	\$ 1,018	\$ 1,046
Commercial	602	506	562
Industrial	172	133	156
Other sales of electricity	194	165	183
Regulatory deferrals and unbilled revenue	(8)	(25)	(49)
Total energy sales	2,116	1,797	1,898
Off system sales	6	3	6
Other	52	49	61
Total revenues	<u>\$ 2,174</u>	<u>\$ 1,849</u>	<u>\$ 1,965</u>

### **Megawatt-hour Sales**

<i>(thousands)</i>	2021	2020	2019
Residential	9,941	10,122	9,584
Commercial	6,144	6,058	6,240
Industrial	2,122	1,891	2,021
Other sales of electricity	1,886	1,883	1,939
Total retail	20,093	19,954	19,784
Off system sales	114	75	155
Total energy sold	<u>20,207</u>	<u>20,029</u>	<u>19,939</u>

No significant part of Tampa Electric's business is dependent upon a single or limited number of customers where the loss of any one or several would have a significant adverse effect on Tampa Electric. Tampa Electric experiences summer peak loads due to the use of air conditioning and other cooling equipment and winter peak loads due to electric space heating, fewer daylight hours and colder temperatures.

## **Regulation**

### *Base Rates*

Tampa Electric's retail operations are regulated by the FPSC. The FPSC's objective is to set rates at a level that provides an opportunity for the utility to collect revenues (revenue requirements) equal to its prudently incurred costs of providing service to customers, plus a reasonable return on invested capital.

The costs of owning, operating and maintaining the utility systems, excluding fuel, conservation costs, purchased power, storm protection plan projects and certain environmental costs, are recovered through base rates. These costs include O&M expenses, depreciation, taxes, and a return on investment in assets providing electric service (rate base). The rate of return on rate base, which is intended to approximate a company's weighted cost of capital, primarily includes its costs for debt, deferred income taxes (at a zero cost rate) and an allowed ROE. Base rates are determined in FPSC rate setting hearings which occur at the initiative of Tampa Electric, the FPSC or other interested parties.

Tampa Electric's 2021, 2020 and 2019 results reflect a settlement agreement approved by the FPSC on November 6, 2017. Tampa Electric's 2022 base rates will reflect a settlement agreement approved by the FPSC on November 10, 2021. See **Note 3** to the **2021 Annual TEC Consolidated Financial Statements** for information regarding Tampa Electric's base rates, ROE and other regulatory matters.



### Other Cost Recovery

Tampa Electric has five cost recovery clauses.

- (1) Tampa Electric has a fuel recovery clause allowing recovery of actual fuel costs from customers through annual fuel rate adjustments. Differences between actual prudently incurred fuel costs and amounts recovered from customers in a year are recovered from or returned to customers in a subsequent period.
- (2) Tampa Electric has a capacity recovery clause allowing recovery of firm demand payments associated with purchased power agreements.
- (3) Tampa Electric has an environmental cost recovery clause which allows it to earn a return on investments in new facilities to comply with new environmental regulations and to recover the costs to operate and maintain these facilities.
- (4) Through its conservation cost recovery clause, Tampa Electric offers its customers a comprehensive array of residential and commercial programs that have enabled it to meet its required demand side management goals, reduce weather-sensitive peak demand and conserve energy.
- (5) Tampa Electric has a Storm Protection Plan cost recovery clause allowing recovery of prudent transmission and distribution storm hardening costs for incremental activities not already included in base rates as outlined in the programs in its approved Storm Protection Plan.

During November 2021, the FPSC approved cost-recovery rates for the above clauses for 2022. See **Note 3** to the **2021 Annual TEC Consolidated Financial Statements** for further information. In addition, Tampa Electric's 2021 rate case settlement agreement established a mechanism to recover the costs of retiring coal generation units and meter assets over a period of 15 years beginning in January 2022, which will survive the term of the settlement agreement.

### FERC and Other Regulations

Tampa Electric is subject to regulation by the FERC in various respects, including wholesale power sales, certain wholesale power purchases, transmission and ancillary services and accounting practices.

Tampa Electric is subject to federal, state and local environmental laws and regulations pertaining to air and water quality, land use, power plant, substation and transmission line siting, noise and aesthetics, solid waste and other environmental matters (see the **Environmental Compliance** section of the **MD&A**).

### Competition

Tampa Electric's retail electric business is substantially free from direct competition with other electric utilities, municipalities and public agencies. The principal form of competition at the retail level consists of self-generation available to larger users of electric energy. Such users may seek to expand their alternatives through various initiatives, including legislative and/or regulatory changes that would permit competition at the retail level. Tampa Electric intends to retain and expand its retail business by managing costs and providing quality service to retail customers.

### Generation Sources

In 2021 and 2020, approximately 86% and 89%, respectively, of Tampa Electric's generation of electricity was natural gas-fired, with solar representing 6% and 6%, respectively, and coal representing 8% and 5%, respectively. In 2021 and 2020, Tampa Electric used its generating units to meet approximately 89% and 88%, respectively, of the total system load requirements, with the remaining 11% and 12%, respectively, coming from purchased power. Tampa Electric is required to maintain a generation capacity greater than firm peak demand. Tampa Electric meets the planning criteria for reserve capacity established by the FPSC, which is a 20% reserve margin over firm peak demand. See **MD&A - Capital Investments** for information regarding TEC's forecasted capital investments in generation sources, including solar projects and the modernization of the Big Bend Power Station.

The table below presents information regarding Tampa Electric's generation costs.

<i>Average cost per MMBTU</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>
Natural Gas <sup>(1)</sup>	\$ 4.83	\$ 3.31	\$ 3.40
Coal <sup>(2)</sup>	3.49	3.69	3.66
Average generation cost per MWh <sup>(3)</sup>	33.73	20.27	27.81

- (1) Represents the cost of natural gas, transportation, storage, balancing, and fuel losses for delivery to the energy center.
- (2) Represents the cost of coal and transportation.
- (3) Represents the average generation cost per MWh including solar.

Tampa Electric's fuel costs are affected by commodity prices and generation mix that is largely dependent on economic dispatch of the generating fleet, dispatching the lowest fuel cost options first (solar renewable energy being zero fuel costs), such that the incremental cost of generation increases as sales volumes increase. Generation mix may also be affected by plant outages, plant performance, availability of lower priced short-term purchased power, compliance with environmental standards and regulations, and availability of solar resources.

**Natural Gas.** Tampa Electric maintains gas commodity, pipeline transportation and storage contracts. As of December 31, 2021, approximately 80% of Tampa Electric's 2.0 million BCF of gas storage capacity was full. Tampa Electric has contracted for 73% of its expected gas needs for the January through December 2022 period. Tampa Electric expects to issue RFPs to meet its remaining 2022 gas needs and begin contracting for its 2023 requirements. Additional volume requirements are purchased in the short-term spot market.

**Coal.** Tampa Electric burned under 0.6 million tons of coal during 2021 and estimates that its coal consumption will be similar in 2022. Consistent with 2021, Tampa Electric will be purchasing its coal in 2022 under a contract with two different commodity suppliers. Tampa Electric takes coal deliveries primarily by water and uses transportation agreements with a rail provider if spot coal supplies are needed.

### Franchises and Other Rights

Florida utilities must obtain franchises to operate in certain municipalities. Tampa Electric holds franchises and other rights that, together with its charter powers, govern the placement of Tampa Electric's facilities on the public rights-of-way that it carries for its retail business in the localities it serves. The franchises specify the negotiated terms and conditions governing Tampa Electric's use of public rights-of-way and other public property within the municipalities it serves during the term of the franchise agreement. Florida municipalities are prohibited from granting any franchise for a term exceeding 30 years.

Tampa Electric has franchise agreements with 13 incorporated municipalities within its retail service area. At December 31, 2021, these agreements have various expiration dates ranging through 2049 and are expected to be renewed under similar terms and conditions.

Franchise fees expense totaled \$49 million and \$42 million in 2021 and 2020, respectively. Franchise fees are calculated using a formula based primarily on electric revenues and are recovered on a dollar-for-dollar basis from customers.

Utility operations in Hillsborough, Pinellas and Polk Counties outside of incorporated municipalities are conducted in each case under one or more permits granted by the Florida Department of Transportation or the County Commissioners of such counties. There is no law limiting the time for which such permits may be granted. There are no fixed expiration dates for the Hillsborough County, Pinellas County and Polk County agreements.

### Environmental Matters

Tampa Electric operates stationary sources with air emissions regulated by the Clean Air Act. Its operations are also impacted by provisions in the Clean Water Act and federal and state legislative initiatives on environmental matters. TEC, through its Tampa Electric and PGS divisions, is a PRP for certain superfund sites and, through its PGS division, for certain former manufactured gas plant sites. See **Environmental Compliance** section of the MD&A for additional information.

### PEOPLES GAS SYSTEM – Gas Operations

PGS is engaged in the purchase, distribution and sale of natural gas for residential, commercial, industrial and electric power generation customers in the state of Florida.

Gas is delivered to the PGS distribution system through three interstate pipelines. PGS does not engage in the exploration for or production of natural gas. PGS operates a natural gas distribution system that serves approximately 445,300 customers. The system includes approximately 14,400 miles of gas mains and 8,100 miles of service lines (see PGS's **Franchises and Other Rights** section below).

In 2021, the total throughput for PGS was approximately 1.9 billion therms. Of this total throughput, 7% was gas purchased and resold to customers by PGS, 91% was third-party supplied gas that was delivered to transportation-only customers and 2% was gas sold off-system (i.e., to customers not connected to PGS's distribution system).

PGS provides transportation service to customers utilizing gas-fired technology in the production of electric power. In addition, PGS provides gas transportation service to large LNG facilities located in Jacksonville, Florida. PGS has seen continuing interest and development in natural gas vehicles. There are 56 compressed natural gas filling stations connected to the PGS distribution system. See the **PGS Operating Results** section of the **MD&A** for information on the impact of natural gas vehicles on PGS's operations.

Revenues and therms for PGS for the years ended December 31 were as follows:

(millions)	Revenues			Therms		
	2021	2020	2019	2021	2020	2019
Residential	\$ 212	\$ 158	\$ 154	100	91	85
Commercial	191	135	146	518	476	517
Industrial	18	17	16	455	460	430
Off-system sales	23	30	55	48	126	188
Power generation	7	6	5	816	955	853
Other revenues	65	75	72	-	-	-
<b>Total</b>	<b>\$ 516</b>	<b>\$ 421</b>	<b>\$ 448</b>	<b>1,937</b>	<b>2,108</b>	<b>2,073</b>

No significant part of PGS's business is dependent upon a single or limited number of customers where the loss of any one customer would have a significant adverse effect on PGS. PGS experiences winter peak throughputs due to higher therm usage for heating during colder temperatures.

## Regulation

### Base Rates

The operations of PGS are regulated by the FPSC separately from the regulation of Tampa Electric. The FPSC seeks to set rates at a level that provides an opportunity for a utility to collect revenues (revenue requirements) equal to its prudently incurred costs of providing service to customers, plus a reasonable return on invested capital.

The costs of providing natural gas service, other than the costs of purchased gas and interstate pipeline capacity, are recovered through base rates. Base rates are designed to recover the costs of owning, operating and maintaining the utility system. The rate of return on rate base, which is intended to approximate PGS's weighted cost of capital, primarily includes its cost for debt, deferred income taxes (at a zero cost rate), and an allowed ROE. Base rates are determined in FPSC rate setting hearings which occur at irregular intervals at the initiative of PGS, the FPSC or other parties.

See **Note 3** to the **2021 Annual TEC Consolidated Financial Statements** for further information regarding PGS's base rates, ROE and other regulatory matters.

### Cost Recovery Clauses and Riders

PGS recovers the costs it pays for gas supply and interstate transportation for system supply through a PGA clause. This clause is designed to recover the actual costs incurred by PGS for purchased gas, gas storage services, interstate pipeline capacity, and other related items associated with the purchase, distribution, and sale of natural gas to its customers. These charges may be adjusted monthly based on a cap approved annually in an FPSC hearing. The cap is based on estimated costs of purchased gas and pipeline capacity, and estimated customer usage for a calendar year recovery period, with a true-up adjustment to reflect the variance of actual costs and usage from the projected charges for prior periods. The current PGA cap rate, effective January 2022, was approved by the FPSC in November 2021.

In addition to its base rates and PGA clause charges, PGS customers also pay a per-therm charge for energy conservation and pipeline replacement programs. The conservation charge is intended to permit PGS to recover prudently incurred expenditures in developing and implementing cost effective energy conservation programs which are mandated by Florida law and approved and monitored by the FPSC. PGS is also permitted to recover the return on, depreciation expenses and applicable taxes associated with the replacement of cast iron/bare steel infrastructure. The FPSC approved a replacement program of approximately 5%, or 500 miles, of the PGS system over a 10-year period beginning in 2013. In February 2017, the FPSC approved an amendment to the cast iron bare steel rider to include certain plastic materials and pipe deemed obsolete by Pipeline and Hazardous Materials Safety Administration,

totaling approximately 550 miles. PGS estimates that the majority of the cast iron and bare steel pipe will be removed from its system by the end of 2022, with the replacement of obsolete plastic pipe continuing under the rider through 2028.

#### *FPSC and Other Regulation*

The FPSC requires natural gas utilities to offer transportation-only service to all non-residential customers. In addition to economic regulation, PGS is subject to the FPSC's safety jurisdiction, pursuant to which the FPSC regulates the construction, operation and maintenance of PGS's distribution system.

PGS is subject to federal, state and local environmental laws and regulations pertaining to air and water quality, land use, noise and aesthetics, solid waste and other environmental matters (see the **Environmental Compliance** section of the **MD&A**).

#### **Competition**

Although PGS is not in direct competition with any other regulated local distributors of natural gas for customers within its service areas, there are other forms of competition. The principal form of competition for residential and small commercial customers is from companies providing other sources of energy, including electricity, propane and fuel oil. There is also competition from other local distributors of natural gas to establish service territories in unserved areas of Florida.

Competition is most prevalent in the large commercial and industrial markets. These classes of customers have the option to contract with companies that sell gas directly by transporting gas through other facilities and thereby bypassing the PGS system. In response to this competition, PGS has developed various programs, including the provision of transportation-only services at discounted rates.

In Florida, gas service is unbundled for all non-residential customers. PGS offers unbundled transportation service to all non-residential customers, and residential customers consuming in excess of 1,999 therms annually, allowing these customers to purchase commodity gas from a third party but continue to pay PGS for the transportation. Because the commodity portion of bundled sales is included in operating revenues at the cost of the gas on a pass-through basis, there is no net earnings effect when a customer shifts to transportation-only sales. As a result, PGS receives its base rate for distribution regardless of whether a customer decides to opt for transportation-only service or continue bundled service. As of December 31, 2021, PGS had approximately 26,500 transportation-only customers out of approximately 40,600 eligible customers.

#### **Gas Supplies**

PGS purchases gas from various suppliers depending on the needs of its customers. The gas is delivered to the PGS distribution system through interstate pipelines on which PGS has reserved firm transportation capacity for delivery by PGS to its customers. In addition, PGS has reserved firm transportation capacity through intrastate pipelines owned by PGS's affiliate, SeaCoast Gas Transmission, LLC.

Companies with firm pipeline capacity receive priority in scheduling deliveries during times when the pipeline is operating at its maximum capacity. PGS presently holds sufficient firm capacity to meet the gas requirements of its system commodity customers, except during certain weather events and localized emergencies affecting the PGS distribution system.

Firm transportation rights on an interstate pipeline represent a right to use the amount of the capacity reserved for transportation of gas on any given day. PGS pays reservation charges on the full amount of the reserved capacity whether or not it actually uses such capacity on any given day. When the capacity is actually used, PGS pays a volumetrically based usage charge for the amount of the capacity actually used. The levels of the reservation and usage charges are regulated by the FERC. PGS actively markets any excess capacity available to partially offset costs recovered through the PGA clause.

PGS procures natural gas supplies using base-load contracts and swing-supply contracts (i.e., short-term contracts without a specified volume) with various suppliers along with spot market purchases. Pricing generally takes the form of either a variable price based on published indices or a fixed price for the contract term.

#### **Franchises and Other Rights**

PGS holds franchise and other rights with 120 municipalities and districts throughout Florida. These franchises govern the placement of PGS's facilities on the public rights-of-way as it carries on its retail business in the localities it serves. The franchises are irrevocable and are not subject to amendment without the consent of PGS. Municipalities are prohibited from granting any franchise for a term exceeding 30 years. PGS's franchise agreements have various expiration dates through 2051. PGS expects to negotiate up to 20 franchise renewals in 2022 under similar terms, in addition to those franchise agreements that have auto renewals effective during

2022. Franchise fees expense totaled \$13 million and \$10 million in 2021 and 2020, respectively. Franchise fees are calculated using various formulas which are based principally on natural gas revenues. Franchise fees are recovered on a dollar-for-dollar basis from the respective customers within each franchise area.

Utility operations in areas outside of incorporated municipalities and districts are conducted in each case under one or more permits to use state or county rights-of-way granted by the Florida Department of Transportation or the county commission of such counties. There is no law limiting the time for which such permits may be granted by counties. There are no fixed expiration dates, and these rights are, therefore, considered perpetual.

### **Environmental Matters**

PGS's operations are subject to federal, state and local statutes, rules and regulations relating to the discharge of materials into the environment and the protection of the environment that generally require monitoring, permitting and ongoing expenditures. TEC is one of several PRPs for certain superfund sites and, through PGS, for former MGP sites. See **Note 8** to the **2021 Annual TEC Consolidated Financial Statements** and the **Environmental Compliance** section of the **MD&A** for additional information.

## **Item 1A. RISK FACTORS**

### **Risks Relating to TEC's Business and Strategy**

#### **Regulatory, Legislative, and Legal Risks**

**TEC's electric and gas utilities are regulated; changes in regulation or the regulatory environment could reduce revenues, increase costs or competition.**

TEC's electric and gas utilities operate in regulated industries. Retail operations, including the rates charged, are regulated by the FPSC, and Tampa Electric's wholesale power sales and transmission services are subject to regulation by the FERC. Changes in regulatory requirements or regulatory actions could have an adverse effect on TEC's financial performance by, for example, reducing revenues, increasing competition or costs, threatening investment recovery or impacting rate structure.

If Tampa Electric or PGS earn returns on equity above their respective allowed ranges, indicating a trend, those earnings could be subject to review by the FPSC. Ultimately, prolonged returns above their allowed ranges could result in credits or refunds to customers, which could reduce future earnings and cash flow.

**Changes in the environmental and land use laws and regulations affecting its businesses could increase TEC's costs or curtail its activities.**

TEC's businesses are subject to regulation by various governmental authorities dealing with air, water and other environmental matters. Changes in compliance requirements or the interpretation by governmental authorities of existing requirements may impose additional costs on TEC, requiring cost-recovery proceedings and/or requiring it to modify its business model. In addition, environmental and land use laws and regulations may curtail sales of natural gas to new customers, which could reduce PGS's customer growth in the future.

**Federal or state regulation of GHG emissions, depending on how they are enacted, could increase Tampa Electric's costs or the rates charged to its customers, which could curtail sales.**

On June 19, 2019, the EPA released a final rule named the Affordable Clean Energy (ACE) rule. The ACE rule, which replaces the Clean Power Plan adopted in 2015, contained emission guidelines for states to address GHG emissions from existing coal-fired electric generating units. On January 19, 2021, the D.C. Circuit vacated the ACE rule and remanded it to the EPA. A replacement rule is under development.

The outcome of the pending rulemaking process and expected further litigation, and its impact on Tampa Electric's businesses, is uncertain at this time; however, it could result in increased operating costs and/or decreased operations at Tampa Electric's coal-fired plants. Tampa Electric currently expects prudently incurred costs for compliance to be recovered through rates. However, timing of recovery could impact earnings and cash flows, and increases in rates charged to customers could result in reduced sales.

**The computation of TEC's provision for income taxes is impacted by changes in tax legislation.**

Any changes in tax legislation could affect TEC's future cash flows and financial position. The value of TEC's existing deferred tax assets and liabilities are determined by existing tax laws and could be impacted by changes in laws. See **Note 4** of the **2021 Annual TEC Consolidated Financial Statements** for further information regarding TEC's income taxes.

**Tampa Electric and PGS may not be able to secure adequate rights-of-way to construct transmission lines, gas interconnection lines and distribution-related facilities and could be required to find alternate ways to provide adequate sources of energy and maintain reliable service for their customers.**

Tampa Electric and PGS rely on federal, state and local governmental agencies to secure rights-of-way and siting permits to construct transmission lines, gas interconnection lines and distribution-related facilities. If adequate rights-of-way and siting permits to build new transportation and transmission lines cannot be secured, then Tampa Electric and PGS:

- May need to remove or abandon its facilities on the property covered by rights-of-way or franchises and seek alternative locations for its transmission or distribution facilities;
- May need to rely on more costly alternatives to provide energy to their customers;
- May not be able to maintain reliability in their service areas;
- May need to exercise the power of eminent domain, which can be costly and take time; and/or
- May experience a negative impact on their ability to provide electric or gas service to new customers.

**The franchise rights held by Tampa Electric and PGS could be lost in the event of a breach by such utilities or could expire and not be renewed.**

Tampa Electric and PGS hold franchise agreements with counterparties throughout their service areas. In some cases, these rights could be lost in the event of a breach of these agreements. These agreements are for set periods and could expire and not be renewed upon expiration of the then-current terms. Some agreements contain provisions allowing municipalities to purchase the portion of the applicable utility's system located within a given municipality's boundaries under certain conditions.

### **Operational and Construction Risks**

**TEC's businesses are sensitive to variations in weather and the effects of extreme weather and have seasonal variations.**

TEC's utility businesses are affected by variations in general weather conditions including severe weather. Energy sales by its electric and gas utilities are particularly sensitive to seasonal variations in weather conditions, including unusually mild summer or winter weather that cause lower energy usage for cooling or heating purposes. PGS typically has a short but significant winter peak period that is dependent on cold weather; Tampa Electric has both summer and winter peak periods that are dependent on weather conditions. Tampa Electric and PGS forecast energy sales based on normal weather, which represents a long-term historical average. If there is unusually mild weather, or if climate change or other factors cause significant variations from normal weather, this could have a material impact on energy sales.

**TEC is subject to several risks that arise or may arise from climate change.**

TEC is subject to risks that may arise from the impacts of climate change. There is increasing public concern about climate change and growing support for reducing carbon dioxide emissions. Municipal, state, and federal governments have been setting policies and enacting laws and regulations to deal with climate change impacts in a variety of ways, including de-carbonization initiatives and promotion of cleaner energy and renewable energy generation of electricity. Refer to "changes in the environmental and land use laws and regulations" above. Insurance companies have begun to limit their exposure to coal-fired electricity generation and are evaluating the medium and long-term impacts of climate change which may result in fewer insurers, more restrictive coverage and increased premiums.

Climate change may lead to increased frequency and intensity of weather events and related impacts such as storms, hurricanes, cyclones, heavy rainfall, extreme winds, wildfires, flooding and storm surge. The potential impacts of climate change, such as rising sea levels and larger storm surges from more intense hurricanes, can combine to produce even greater damage to coastal generation and other facilities. Climate change is also characterized by rising global temperatures. Increased air temperatures may bring increased frequency and severity of wildfires, including within TEC's service territories. Refer to "variations in weather" above.

TEC is subject to physical risks that arise, or may arise, from global climate change, including damage to operating assets from more frequent and intense weather events and from wildfires due to warming air temperatures and increasing drought conditions. Some of Tampa Electric's fossil fueled generation assets are located at or near coastal, sites and as such are exposed to the separate and combined effects of rising sea levels and increasing storm intensity, including storm surges and flooding. Refer to "variations in weather" above.

Failure to address issues related to climate change could affect TEC's reputation with stakeholders, its ability to operate and grow, and TEC's access to, and cost of, capital. Refer to "Financial, Economic, and Market Risks" below.

Changing carbon-related costs, policy and regulatory changes and shifts in supply and demand factors could lead to more expensive or more scarce products and services that are required by TEC in its operations. This could lead to supply shortages, delivery delays and the need to source alternate products and services.

Depending on the regulatory response to government legislation and regulations, TEC may be exposed to the risk of reduced recovery through rates in respect of the affected assets. Valuation impairments could result from such regulatory outcomes.

TEC could face litigation or regulatory action related to environmental harms from carbon dioxide emissions or climate change public disclosure issues.

For thermal plants requiring cooling water, reduced availability of water resulting from climate change could adversely impact operations or the costs of operations.

**The facilities and operations of TEC could be affected by natural disasters or other catastrophic events.**

TEC's facilities and operations are exposed to potential damage and partial or complete loss resulting from environmental disasters (e.g., hurricanes, floods, high winds, fires and earthquakes), equipment failures, terrorist or physical attacks, vandalism, a major accident or incident at one of the sites, and other events beyond the control of TEC. The operation of generation, transmission and distribution systems involves certain risks, including gas leaks, fires, explosions, pipeline ruptures, damage to solar panels and other generation assets, and other hazards and risks that may cause unforeseen interruptions, personal injury, death, or property damage. There have also been physical attacks on critical infrastructure around the world. In the event of a physical attack that disrupts service to customers, revenues would be reduced, and costs would be incurred to repair and restore systems. These types of events, either impacting TEC's facilities or the industry in general, could cause TEC to incur additional security and insurance-related costs, and could have adverse effects on its business and financial results. Any costs relating to such events may not be recoverable through insurance or rates.

**TEC is exposed to potential risks related to cyberattacks and unauthorized access, which could cause system failures, disrupt operations or adversely affect safety.**

TEC increasingly relies on information technology systems and network infrastructure to manage its business and safely operate its assets, including controls for interconnected systems of generation, distribution and transmission and financial, billing and other business systems. TEC also relies on third party service providers to conduct business. As TEC operates critical infrastructure, it may be at greater risk of cyberattacks by third parties, which could include nation-state controlled parties.

Cyberattacks can reach TEC's networks with access to critical assets and information via their interfaces with less critical internal networks or via the public internet. Cyberattacks can also occur via personnel with direct access to critical assets or trusted networks. An outbreak of infectious disease, a pandemic or a similar public health threat, such as COVID-19, may cause disruption in normal working patterns including wide scale "work from home" policies, which could increase cybersecurity risk as the quantity of both cyberattacks and network interfaces increases. Refer to the "Public Health Risk" section below. Methods used to attack critical assets could include general purpose or energy-sector-specific malware delivered via network transfer, removable media, viruses, attachments or links in e-mails. The methods used by attackers are continuously evolving and can be difficult to predict and detect.

TEC's systems, assets and information could experience security breaches that could cause system failures, disrupt operations or adversely affect safety. Such breaches could compromise customer, employee-related or other information systems and could result in loss of service to customers or the unavailability, release, destruction or misuse of critical, sensitive or confidential information. These breaches could also delay delivery or result in contamination or degradation of hydrocarbon products TEC transports, stores or distributes.

Should such cyberattacks or unauthorized accesses materialize, TEC could suffer costs, losses and damages, all or some of which may not be recoverable through insurance, legal, regulatory cost recovery or other processes. If not recovered through these means, they could materially adversely affect TEC's business and financial results including its reputation and standing with

customers, regulators, governments and financial markets. Resulting costs could include, amongst others, response, recovery and remediation costs, increased protection or insurance costs and costs arising from damages and losses incurred by third parties. If any such security breaches occur, there is no assurance that they can be adequately addressed in a timely manner.

With respect to certain of its assets, TEC is required to comply with rules and standards relating to cybersecurity and information technology including, but not limited to, those mandated by bodies such as the North American Electric Reliability Corporation. TEC cannot be assured that its operations will not be negatively impacted by a cyberattack.

**Continued effects of the ongoing COVID-19 pandemic, or an outbreak of infectious disease, another pandemic or a similar public health threat could have a negative impact on TEC's operations.**

An outbreak of infectious disease, a pandemic or a similar public health threat, such as the ongoing COVID-19 pandemic, or a fear of any of the foregoing, could adversely impact TEC, including by causing operating, supply chain and project development delays and disruptions, labor shortages and shutdowns (including as a result of government regulation and prevention measures), and delays in regulatory decisions and proceedings, which could have a negative impact on TEC's operations.

Any adverse changes in general economic and market conditions arising as a result of a public health threat could negatively impact demand for electricity and natural gas, revenue, operating costs, timing and extent of capital expenditures, results of financing efforts, or credit risk, counterparty risk and collection risk, which could result in a material adverse effect on TEC's business.

**Financial, Economic, and Market Risks**

**National and local economic conditions can have a significant impact on the results of operations, net income and cash flows at TEC.**

The business of TEC is concentrated in Florida. If economic conditions decline, retail customer growth rates may stagnate or decline, and customers' energy usage may decline, adversely affecting TEC's results of operations, net income and cash flows. A factor in customer growth in Florida is net in-migration of new residents, both domestic and non-U.S. A slowdown in the U.S. economy could reduce the number of new residents and slow customer growth.

**Potential competitive changes may adversely affect TEC.**

There is competition in wholesale power sales across the United States. Some states have mandated or encouraged competition at the retail level and, in some situations, required divestiture of generating assets. While there is active wholesale competition in Florida, the retail electric business has remained substantially free from direct competition. Changes in the competitive environment occasioned by legislation, regulation, market conditions or initiatives of other electric power providers or voters, particularly with respect to retail competition, could adversely affect Tampa Electric's business and its expected performance.

Florida electric utilities, including Tampa Electric, currently benefit from operating in a regulated environment with limited competition in their market for retail customers. However, the commercial and regulatory frameworks under which Tampa Electric operates can be impacted by changes in government and shifts in government policy. These include initiatives regarding deregulation or restructuring of the energy industry, which may result in increased competition and unrecovered costs that could adversely affect operations, net income and cash flows.

The gas distribution industry has been subject to competitive forces for several years. Gas services provided by PGS are unbundled for all non-residential customers. Because PGS earns on the distribution of gas but not on the commodity itself, unbundling has not negatively impacted PGS's results. However, future structural changes could adversely affect PGS.

**TEC relies on some natural gas transmission assets that it does not own or control to deliver natural gas.**

TEC depends on transmission facilities owned and operated by other utilities and energy companies to deliver the natural gas it sells to the wholesale and retail markets. If transmission is disrupted, or if capacity is inadequate, its ability to sell and deliver products and satisfy its contractual and service obligations could be adversely affected.

**Disruption of fuel supply could have an adverse impact on the financial condition of TEC.**

Tampa Electric and PGS depend on third parties to supply fuel, including natural gas, oil and coal. As a result, there are risks of supply interruptions and fuel-price volatility. Disruption of fuel supplies or transportation services for fuel, whether because of weather-related problems, strikes, lock-outs, break-downs of transportation facilities, pipeline failures or other events, could impair the ability to deliver electricity and gas or generate electricity and could adversely affect operations. The loss of fuel suppliers or the



inability to renew existing coal and natural gas contracts at favorable terms could significantly affect the ability to serve customers and have an adverse impact on the financial condition and results of operations of TEC.

**Commodity price changes may affect the operating costs and competitive positions of TEC's businesses.**

TEC's businesses are sensitive to changes in gas, coal, oil and other commodity prices. Any changes in the availability of these commodities could affect the prices charged by suppliers as well as suppliers' operating costs and the competitive positions of their products and services.

In the case of Tampa Electric, fuel costs used for generation are affected primarily by the cost of natural gas and coal. Tampa Electric is able to recover prudently incurred costs of fuel through retail customers' bills, but increases in fuel costs affect electric prices and, therefore, the competitive position of electricity against other energy sources.

The ability to make sales of, and the margins earned on, wholesale power sales are affected by the cost of fuel to Tampa Electric, particularly as it compares to the costs of other power producers.

In the case of PGS, costs for purchased gas and pipeline capacity are recovered through retail customers' bills, but increases in gas costs affect total retail prices and, therefore, the competitive position of PGS as compared to electricity, other forms of energy and other gas suppliers.

**Developments in technology could reduce demand for electricity and gas.**

Research and development activities are ongoing for new technologies that produce power or reduce power consumption. These technologies include renewable energy, customer-oriented generation, energy storage, energy efficiency and more energy-efficient appliances and equipment. Advances in these or other technologies could reduce the cost of producing electricity or transporting gas, or otherwise make Tampa Electric's existing generating facilities uneconomic. Advances in such technologies could reduce demand for electricity or natural gas, which could negatively impact the results of operations, net income and cash flows of TEC.

**Results at TEC may be affected by changes in customer energy-usage patterns.**

For the past several years, at Tampa Electric and electric utilities across the United States, weather-normalized electricity consumption per residential customer has declined due to the combined effects of voluntary conservation efforts and improvements in equipment efficiency.

Forecasts by TEC are based on normal weather patterns and trends in customer energy-usage patterns. TEC could be negatively impacted if customers further reduce their energy usage in response to increased energy efficiency, economic conditions or other factors.

**Increased customer use of distributed generation could adversely affect Tampa Electric.**

In many areas of the United States, including in the markets where TEC operates, there is growing use of rooftop solar panels, small wind turbines and other small-scale methods of power generation, known as distributed generation. Distributed generation is encouraged and supported by various constituent groups, tax incentives, renewable portfolio standards and special rates designed to support such generation.

Increased usage of distributed generation can reduce utility electricity sales but does not reduce the need for ongoing investment in infrastructure to maintain or expand the transmission and distribution grid to reliably serve customers. Continued utility investment that is not supported by increased energy sales causes rates to increase for customers, which could further reduce energy sales and reduce future earnings and cash flows.

**Failure to attract and retain an appropriately qualified workforce, or workforce disruptions, could adversely affect TEC's financial results.**

Events such as increased retirements due to an aging workforce or the departure of employees for other reasons without appropriate replacements, mismatch of skill sets to future needs, or unavailability of contract resources may lead to operating challenges such as lack of resources, loss of knowledge, and a lengthy time period associated with skill development. Failure to attract and hire employees, including the ability to transfer significant internal historical knowledge and expertise to the new employees, or workforce disruptions due to work stoppages or strikes, or the future availability and cost of contract labor may cause costs to operate TEC's systems to rise. If TEC is unable to successfully attract and retain an appropriately qualified workforce, results of operations could be negatively impacted.

**Potential state or local law and regulation changes may adversely affect PGS.**

Recently state and local policies in certain jurisdictions in the United States have sought to prevent or limit the ability of utilities to provide customers the choice to use natural gas. Changes in applicable state or local laws and regulations could adversely impact PGS.

**Liquidity and Capital Requirements Risks**

**TEC's indebtedness could adversely affect its business, financial condition and results of operations, as well as its ability to meet its payment obligations on its debt.**

TEC has indebtedness that it is obligated to pay. It must meet certain financial covenants as defined in the applicable agreements to borrow under its credit facilities. Also, TEC has certain restrictive covenants in specific agreements and debt instruments. The level of TEC's indebtedness and potential inability to meet the requirements of the restrictive covenants contained in its debt obligations could have significant consequences to its business, could create risk for the holders of its debt, and could limit its ability to obtain additional financing (see **Management's Discussion & Analysis – Significant Financial Covenants** section). Such risks include:

- making it more difficult for TEC to satisfy its debt obligations and other ongoing business obligations, which may result in defaults;
- events of default if it fails to comply with the financial and other covenants contained in the agreements governing such debt, which could result in all of its debt becoming immediately due and payable or require it to negotiate an amendment to financial or other covenants that could cause it to incur additional fees and expenses;
- reducing the availability of cash flow to finance its business and limiting its ability to obtain additional financing for these purposes;
- increasing its vulnerability to the impact of adverse economic and industry conditions;
- limiting its flexibility in planning for, or reacting to, and increasing its vulnerability to, changes in its business and the overall economy;
- and increasing its cost of borrowing.

TEC has obligations that do not appear on its balance sheet, such as letters of credit. To the extent material, these obligations are disclosed in the notes to the financial statements.

**Financial market conditions could limit TEC's access to capital and increase TEC's costs of borrowing or refinancing, or have other adverse effects on its results.**

TEC has debt maturing in subsequent years, which TEC anticipates will need to be refinanced. Future financial market conditions could limit TEC's ability to raise the capital it needs and could increase its interest costs, which could reduce earnings and cash flows.

**Declines in the financial markets or in interest rates used to determine benefit obligations could increase TEC's pension expense or the required cash contributions to maintain required levels of funding for its plan.**

TEC is a participant in the comprehensive retirement plans of TECO Energy. Under calculation requirements of the Pension Protection Act, as of the January 1, 2021 measurement date, TECO Energy's pension plan was fully funded. Any future declines in the financial markets or interest rates could increase the amount of contributions required to fund its pension plan in the future and could cause pension expense to increase.

**TEC's financial condition and results could be adversely affected if its capital expenditures are greater than forecast or costs are not recoverable through rates.**

TEC's capital plan includes significant investments in generation, infrastructure modernization and customer-focused technologies. Any projects planned or currently in construction, particularly significant capital projects, may be subject to risks including, but not limited to, impact on costs from schedule delays, risk of cost overruns, ensuring compliance with operating and environmental requirements and other events within or beyond TEC's control. Total costs may be higher than estimated, and there can be no assurance that TEC will be able to obtain the necessary project approvals, regulatory outcomes or applicable permits at the federal, state and or local level to recover such expenditures through regulated rates. If TEC's capital expenditures exceed the forecasted levels or are not recoverable, it may need to draw on credit facilities or access the capital markets on unfavorable terms.

**TEC's financial condition and ability to access capital may be materially adversely affected by multiple ratings downgrades to below investment grade.**

The senior unsecured debt of TEC is rated by S&P at 'BBB+', by Moody's at 'A3' and by Fitch at 'A'. A downgrade to below investment grade by the rating agencies, which would require a four-notch downgrade by Moody's and Fitch and a three-notch downgrade by S&P, may affect TEC's ability to borrow, may change requirements for future collateral or margin postings, and may increase financing costs, which may decrease earnings. Downgrades could adversely affect TEC's relationships with customers and counterparties.

In the event TEC's ratings were downgraded to below investment grade, certain agreements could require immediate payment or full collateralization of net liability positions. Counterparties to its derivative instruments could request immediate payment or full collateralization of net liability positions. Credit provisions in long-term gas transportation agreements would give the transportation providers the right to demand collateral, which is estimated to be approximately \$166 million.

**Item 2. PROPERTIES**

TEC believes that the physical properties of its operating companies are adequate to carry on their businesses as currently conducted. The properties of Tampa Electric are subject to a first mortgage bond indenture under which no bonds are currently outstanding.

**TAMPA ELECTRIC**

Tampa Electric has electric generating stations in service, with a December 2021 net winter generating capability of 5,919 MWs. Tampa Electric assets include the Big Bend Power Station (1,687 MWs capacity), the Bayside Power Station (2,083 capacity) and the Polk Power Station (1,420 MWs capacity). Also included in Tampa Electric's assets at December 31, 2021 are fourteen solar arrays (729 MWs). In addition, three solar arrays totaling 152 MWs are planned to be put in service in the first quarter of 2022.

Tampa Electric owns 197 substations having an aggregate transformer capacity of 24,900 mega volts amps. The transmission system consists of approximately 1,345 total circuit miles of high voltage transmission lines, including underground and double-circuit lines. The distribution system consists of approximately 6,235 circuit miles of overhead lines and approximately 5,902 circuit miles of underground lines. As of December 31, 2021, there were 824,060 meters in service. All of this property is located in Florida.

Tampa Electric's property, plant and equipment are owned, except that titles to some of the properties are subject to easements, leases, contracts, covenants and similar encumbrances common to properties of the size and character of those of Tampa Electric.

Tampa Electric has easements or other property rights for rights-of-way adequate for the maintenance and operation of its electrical transmission and distribution lines that are not constructed upon public highways, roads and streets. Transmission and distribution lines located in public ways are maintained under franchises or permits.

Tampa Electric has a long-term lease for the office building in downtown Tampa, which serves as headquarters for TECO Energy, Tampa Electric and PGS.

**PEOPLES GAS SYSTEM**

PGS's distribution system extends throughout the areas it serves in Florida and consists of approximately 22,500 miles of pipe, including approximately 14,400 miles of mains and 8,100 miles of service lines. Mains and service lines are maintained under rights-of-way, franchises or permits.

PGS's operations are located in 14 service areas throughout Florida. Most of the operations and administrative facilities are owned.

**Item 3. LEGAL PROCEEDINGS**

From time to time, TEC is involved in various legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies in the ordinary course of business. Where appropriate, accruals are made in accordance with accounting standards for contingencies to provide for matters that are probable of resulting in an estimable loss. For a discussion of legal proceedings and environmental matters, see **Note 8** of the **2021 Annual TEC Consolidated Financial Statements**.

## PART II

### Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

All of TEC's common stock is owned by TECO Energy, which in turn is owned by a subsidiary of Emera and, thus, is not listed on a stock exchange. Therefore, there is no market for such stock.

### Item 6. [RESERVED]

### Item 7. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITIONS & RESULTS OF OPERATIONS

#### OVERVIEW

TEC has regulated electric and gas utility operations in Florida. At December 31, 2021, Tampa Electric served approximately 810,600 customers in a 2,000-square-mile service area in West Central Florida and had electric generating plants with a winter peak generating capacity of 5,919 MW. PGS, Florida's largest gas distribution utility, served approximately 445,300 residential, commercial, industrial and electric power generating customers at December 31, 2021 in all major metropolitan areas of the state, with a total natural gas throughput of approximately 1.9 billion therms in 2021.

TEC is a wholly owned subsidiary of TECO Energy, and TECO Energy is a wholly owned subsidiary of Emera. Therefore, TEC is an indirect, wholly owned subsidiary of Emera. See **Note 10** to the **2021 Annual TEC Consolidated Financial Statements** for information regarding related party transactions.

#### 2021 PERFORMANCE

All amounts included in this MD&A are pre-tax, except net income and income taxes.

In 2021, TEC's net income was \$446 million, compared with \$424 million in 2020. 2021 results were impacted by higher base revenues at PGS, lower O&M, excluding all FPSC-approved cost-recovery clauses, at Tampa Electric and higher AFUDC at Tampa Electric, partially offset by higher depreciation expense at Tampa Electric and PGS. See **Operating Results** below for further detail regarding 2021 results as compared to 2020. For information regarding 2020 results as compared to 2019, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of **TEC's Annual Report on Form 10-K** for the year ended December 31, 2020.

#### OUTLOOK

TEC's earnings are most directly impacted by the allowed rate of return on equity and the capital structures approved by the FPSC, the prudent management of operating costs, the approved recovery of regulatory deferrals, weather and its impact on energy sales, and the timing and amount of capital expenditures.

Tampa Electric anticipates earning within its ROE range in 2022. New base rates effective January 1, 2022 will result in Tampa Electric 2022 earnings to be higher than in 2021. Tampa Electric sales volumes in 2022 are expected to be similar to 2021, which benefited from weather that was warmer than normal (a 20-year statistical degree day average). Tampa Electric expects customer growth rates in 2022 to be consistent with 2021, reflective of current expected economic growth in Florida.

In 2022, PGS anticipates earning within its allowed ROE range and expects rate base and earnings to be higher than in 2021. PGS expects favorable customer growth in 2022, following Florida population growth and housing demand. PGS residential and commercial sales volumes in 2022 are expected to increase at a level consistent with customer growth.

On August 6, 2021, Tampa Electric filed with the FPSC a joint motion for approval of a settlement agreement dated as of August 6, 2021 (the Settlement Agreement) by and among Tampa Electric and the intervenors in Tampa Electric's rate case filed with the FPSC in April 2021. The Settlement Agreement agrees to an increase in base rates annually effective with January 2022 bills, to generate a \$191 million increase in revenue consisting of \$123 million of traditional base rate charges and \$68 million in a new charge to recover the costs of retiring assets. The Settlement Agreement further includes two subsequent year adjustments of \$90 million and \$21 million, effective January 2023 and January 2024, respectively. Under the agreement, the allowed equity in the capital structure will continue to be 54% from investor sources of capital. The Settlement Agreement includes an allowed regulatory ROE range of 9.0% to 11.0% with a 9.95% midpoint. The Settlement Agreement allows a 25 basis point increase in the allowed ROE range and midpoint, and \$10 million of additional revenue, if the average 30-year United States Treasury Bond yield rate for any period of six

consecutive months is at least 50 basis points greater than the yield rate on the date the FPSC votes to approve the agreement. Under the agreement, base rates will not change from January 1, 2022 through December 31, 2024, unless Tampa Electric's earned ROE were to fall below the bottom of the range during that time. The Settlement Agreement contains a provision whereby Tampa Electric agrees to quantify the future impact of a decrease or increase in corporate income tax rates on net operating income through a reduction or increase in base revenues within 180 days of when such tax change becomes law or its effective date. The Settlement Agreement further creates a mechanism to recover the costs of retiring coal generation units and meter assets over a period of 15 years which survives the term of that agreement. The Settlement Agreement sets new depreciation and dismantlement rates effective January 1, 2022 and contains the provisions that Tampa Electric will not have to file another depreciation study during the term of the agreement but will file a new depreciation study no more than one year, nor less than 90 days, before the filing of its next general base rate proceeding. Additionally, Tampa Electric agreed to a financial hedging moratorium for natural gas ending on December 31, 2024. On October 21, 2021, the FPSC approved the Settlement Agreement and the final order, reflecting such approval, was issued on November 10, 2021. See **Note 3** to the **2021 Annual TEC Consolidated Financial Statements** for further information.

In January 2022, Tampa Electric requested a mid-course adjustment to its fuel and capacity charges to recover an additional \$169 million, effective with April 2022 customer bills, due to an increase in fuel commodity and capacity costs. The FPSC is expected to issue its decision in March 2022.

Tampa Electric has a capital investment program that supports achieving its goal to reduce CO<sub>2</sub> emissions to 60% of 2000 levels by 2025. Since 2000, Tampa Electric has reduced its CO<sub>2</sub> emissions by more than 50%.

In 2022, TEC expects to invest approximately \$1.4 billion, excluding AFUDC, in capital projects consistent with \$1.4 billion in 2021. Capital projects support normal system reliability and growth at the utilities. AFUDC will be earned on eligible capital projects during the construction periods. Tampa Electric investments include continuation of the modernization of the Big Bend Power Station, solar investments, grid modernization and storm hardening investments. PGS expects to make investments to expand its system and support customer growth, including expected investments related to compressed natural gas fueling stations, renewable natural gas, technology improvements and continued replacement of obsolete plastic, cast iron and bare steel pipe. See **Capital Investments** below for further information.

These forecasts are based on our current assumptions described in the operating company discussion, which are subject to risks and uncertainties (see the **Risk Factors** section).

## COVID-19 PANDEMIC

The COVID-19 pandemic did not have a material financial impact on TEC's earnings in 2021. TEC's top priority continues to be the health and safety of its customers and employees. Management continues to monitor developments, economic conditions and recommendations by local and national public health authorities related to COVID-19 and is adjusting operational requirements as needed.

To date, customer defaults have not been material and as of December 31, 2021 and 2020, adjustments to the allowance for credit losses have not had a material impact on the financial statements. TEC is continuing to monitor customer accounts and to work with customers on payment arrangements.

The extent of the future impact of the COVID-19 pandemic on TEC's financial results and business operations is uncertain at this time but is not expected to have a material financial impact in 2022.

## OPERATING RESULTS

This MD&A utilizes TEC's consolidated financial statements, which have been prepared in accordance with U.S. GAAP. Our reported operating results are affected by several critical accounting estimates (see the **Critical Accounting Policies and Estimates** section).

The following table shows the revenues and net income of the business segments on a U.S. GAAP basis (see **Note 11** to the **2021 Annual TEC Consolidated Financial Statements**).

(millions)	2021	2020	2019
<b>Revenues</b>			
Tampa Electric	\$ 2,174	\$ 1,849	\$ 1,965
PGS	528	433	461
Eliminations	(7)	(10)	(22)
<b>TEC</b>	<b>\$ 2,695</b>	<b>\$ 2,272</b>	<b>\$ 2,404</b>
<b>Net income</b>			
Tampa Electric	\$ 369	\$ 372	\$ 316
PGS	77	52	54
<b>TEC</b>	<b>\$ 446</b>	<b>\$ 424</b>	<b>\$ 370</b>

## TAMPA ELECTRIC

### Electric Operations Results

Tampa Electric's net income in 2021 was \$369 million, compared with \$372 million in 2020. Results primarily reflected higher depreciation expense, partly due to a \$16 million intangible software amortization credit in 2020 due to a regulatory agreement approved by the FPSC, and lower base revenues, partially offset by higher AFUDC earnings and lower O&M expense, excluding all FPSC-approved cost-recovery clauses. Base revenues are energy sales excluding revenues from clauses, gross receipts taxes and franchise fees. Clauses, gross receipts taxes and franchise fees do not have a material effect on net income as these revenues substantially represent a dollar-for-dollar recovery of clause and other pass-through costs. See the **Operating Revenues** and **Operating Expenses** sections below for additional information.

The table below provides a summary of Tampa Electric's revenue and expenses and energy sales by customer type.

### Summary of Operating Results

(millions, except customers and total degree days)	2021	% Change	2020	% Change	2019
<b>Revenues</b>	\$ 2,174	18	\$ 1,849	(6)	\$ 1,965
O&M expense	416	4	401	(2)	408
Depreciation and amortization expense	374	10	339	1	336
Taxes, other than income	181	12	161	(2)	165
<b>Non-fuel operating expenses</b>	<b>971</b>	<b>8</b>	<b>901</b>	<b>(1)</b>	<b>909</b>
Fuel expense	607	76	345	(35)	533
Purchased power expense	106	28	83	69	49
<b>Total fuel &amp; purchased power expense</b>	<b>713</b>	<b>67</b>	<b>428</b>	<b>(26)</b>	<b>582</b>
<b>Total operating expenses</b>	<b>1,684</b>	<b>27</b>	<b>1,329</b>	<b>(11)</b>	<b>1,491</b>
<b>Operating income</b>	<b>\$ 490</b>	<b>(6)</b>	<b>\$ 520</b>	<b>10</b>	<b>\$ 474</b>
AFUDC-equity	\$ 41	52	\$ 27	145	\$ 11
Provision for income taxes	\$ 57	(14)	\$ 66	12	\$ 59
<b>Net income</b>	<b>\$ 369</b>	<b>(1)</b>	<b>\$ 372</b>	<b>18</b>	<b>\$ 316</b>
<b>Megawatt-Hour Sales (thousands)</b>					
Residential	9,941	(2)	10,122	6	9,584
Commercial	6,144	1	6,058	(3)	6,240
Industrial	2,122	12	1,891	(6)	2,021
Other	1,886	0	1,883	(3)	1,939
<b>Total retail</b>	<b>20,093</b>	<b>1</b>	<b>19,954</b>	<b>1</b>	<b>19,784</b>
Off system sales	114	52	75	(52)	155
<b>Total energy sold</b>	<b>20,207</b>	<b>1</b>	<b>20,029</b>	<b>0</b>	<b>19,939</b>
<b>Retail customers—(thousands)</b>					
At December 31	811	2	793	2	779
Retail net energy for load	21,033	(0)	21,055	1	20,770
<b>Total degree days</b>	<b>4,565</b>	<b>(5)</b>	<b>4,807</b>	<b>5</b>	<b>4,568</b>

## Operating Revenues

Revenues were \$325 million higher than in 2020 primarily due to higher clause revenue driven by increased fuel costs. Base revenue was \$11 million lower than in 2020 due to certain revenues now being recovered through the Storm Protection Plan Cost Recovery Clause and mild weather compared to 2020, partially offset by customer growth and higher base rates from additional solar generation projects being placed in-service. Total degree days (a measure of heating and cooling demand) in Tampa Electric's service area in 2021 were 6% above normal and 5% below 2020. Total net energy for load, which is a calendar measurement of energy output, was consistent with 2020.

## Customer and Energy Sales Growth Outlook

The Tampa labor market continues to outperform the state and U.S. labor markets. Due to the reopening of businesses that had closed due to the COVID-19 pandemic, the Tampa area unemployment rate decreased to 4.4% in 2021 from 7.2% in 2020. Similarly, Florida's unemployment rate decreased to 4.9% in 2021 from 7.8% in 2020 and the U.S. rate dropped to 5.4% from 8.1% in 2020. The unemployment rate in the Tampa area is expected to decline over the next few years.

Population growth in the area is forecasted to continue to be a major driver of customer growth. Tampa Electric expects customer growth to be 1.5% to 2.0% annually over the next few years, assuming continued economic recovery from COVID-19 and business expansion.

For the past several years, weather-normalized energy consumption per customer declined due to the combined effects of voluntary conservation efforts, improvements in lighting and equipment efficiency. It is expected to continue to decline annually at an average annual rate of 0.8% over the next few years.

In 2022, retail energy sales are expected to be similar to 2021 levels. In 2021, energy sales benefitted from weather that was warmer than normal, while 2022 projections are based on normal weather. Normalizing 2021 for weather, 2022 energy sales are projected to increase over 2021 primarily due to customer growth and recovery from the COVID-19 pandemic. Over the longer term, residential energy sales growth is expected to be around 1.2% and total energy sales growth around 0.8%.

## Operating Expenses

In 2021, operations and maintenance expense, excluding all FPSC-approved cost-recovery clauses, was \$14 million lower than in 2020 primarily reflecting lower benefits expense and lower transmission and distribution costs related to the recovery of Storm Protection Plan clause expense previously recorded in non-clause O&M, partially offset by higher insurance costs related to increased solar generation. Depreciation and amortization expense, excluding all FPSC-approved cost-recovery clauses, increased \$30 million in 2021 from normal additions to facilities to reliably serve customers and the in-service of solar generation projects, and a \$16 million intangible software amortization credit in 2020 due to a regulatory agreement approved by the FPSC.

Excluding all FPSC-approved cost-recovery clause-related expense, O&M expense in 2022 is expected to remain consistent with 2021 reflecting cost control efforts. In 2022, depreciation expense is expected to increase due to solar project timings and other plant additions.

## Fuel Prices and Fuel Cost Recovery

In 2021, the FPSC approved cost-recovery rates for fuel and purchased power, capacity, environmental, conservation and storm protection costs for 2022. The rates include the expected cost for natural gas and coal in 2022, and a net prior period under-recovery true-up of fuel, purchased power and capacity clause expense. These rates are typically set annually, based on information provided in September of the year prior to the year the rates take effect.

In July 2021, Tampa Electric requested a mid-course adjustment to its fuel and capacity charges, effective with September 2021 customer bills, due to an increase in fuel commodity and capacity costs in 2021. On August 3, 2021, the FPSC approved the request to recover \$83 million of additional costs during the months of September through December 2021.

Total fuel expense increased in 2021 from 2020 primarily due to higher natural gas prices. Delivered natural gas prices increased 67% in 2021 as demand from a strong economic recovery outpaced supply.

Total 2022 fuel and purchased power costs are expected to be greater than in 2021, due to increased prices for natural gas. In January 2022, Tampa Electric requested a mid-course adjustment to its fuel and capacity charges to recover an additional \$169 million, effective with April 2022 customer bills, due to an increase in fuel commodity and capacity costs. The FPSC is expected to issue its decision in March 2022.

## PGS

### Operating Results

In 2021, PGS reported net income of \$77 million, compared with \$52 million in 2020. Results reflect a 4.5% increase in the number of customers in 2021 compared to 2020. Revenues were \$95 million higher than in the prior year primarily due to higher base rates that went into effect January 2021, customer growth, higher PGA clause-related revenues, and decreased commercial sales in 2020 resulting from COVID-19. These revenue increases were partially offset by lower revenue from the cast iron bare steel replacement rider that is now being recovered through the new base rates and lower off-system sales in 2021. The base revenues increase excluding the shift of cast iron bare steel rider-related revenue was \$56 million. Operations and maintenance expense, excluding all FPSC-approved cost-recovery clauses, was \$6 million higher than in 2020 primarily due to higher labor and benefit costs to operate and maintain the growing distribution system and higher insurance costs. Depreciation and amortization increased \$10 million due to asset growth (see **Note 3** to the **TEC Consolidated Financial Statements**).

In 2021 and 2020, total throughput for PGS was approximately 1.9 billion therms and 2.1 billion therms, respectively. See **Business - Peoples Gas System- Gas Operations** for information regarding therms by type of customer.

PGS provides transportation service to customers utilizing gas-fired technology in the production of electric power. In addition, PGS provides gas transportation service to large LNG facilities located in Jacksonville, Florida. PGS has also experienced interest in the usage of CNG as an alternative fuel for vehicles, especially refuse trucks and buses. Therms sold to CNG stations in 2021 and 2020 were 39 million therms and 36 million therms, respectively. Currently, there are 56 CNG fueling stations connected to the PGS system. PGS owns three CNG filling stations, and the cost of these stations is recovered over time through a special rate approved by the FPSC. CNG conversions add therm sales to the gas system without requiring significant capital investment by PGS.

The table below provides a summary of PGS's revenue and expenses and therm sales by customer type.

### Summary of Operating Results

<i>(millions, except customers)</i>	2021	% Change	2020	% Change	2019
Revenues	\$ 528	22	\$ 433	(6)	\$ 461
Cost of gas sold	155	28	121	(20)	152
Operating expenses	256	11	231	4	222
Operating income	\$ 117	44	\$ 81	(7)	\$ 87
Net income	\$ 77	48	\$ 52	(4)	\$ 54
Therms sold – by customer segment					
Residential	100	10	91	7	85
Commercial	518	9	476	(8)	517
Industrial	456	(1)	460	7	430
Off-system sales	48	(62)	126	(33)	188
Power generation	815	(15)	955	12	853
Total	1,937	(8)	2,108	2	2,073
Therms sold – by sales type					
System supply	181	(25)	241	(19)	296
Transportation	1,756	(6)	1,867	5	1,777
Total	1,937	(8)	2,108	2	2,073
Customer (thousands) – at December 31	445	4	426	5	406

See **Business-Peoples Gas System-Competition** for information regarding PGS's transportation-only customers.

### PGS Outlook

In 2022, PGS anticipates earning within its allowed ROE range and expects rate base and earnings to be higher than in 2021. PGS expects customer growth in 2022 to be higher than Florida's population growth rates, reflecting expectations of continued strong housing demand in Florida. Assuming normal weather, PGS sales volumes are expected to increase consistent with customer growth.

Excluding all FPSC-approved cost-recovery clause-related expenses, O&M expense in 2022 is expected to be higher than in 2021, driven by initiatives to enhance the customer experience and safely and reliably operate and maintain a growing distribution system. Due to the projected reversal of accumulated depreciation as provided for in PGS's 2020 settlement agreement (see **Note 3** to the **2021 Annual TEC Consolidated Financial Statements** for further information), depreciation and amortization expense is expected to decrease in 2022.



In addition to the strong residential construction market, PGS is focusing on extending the system to serve large commercial and industrial customers that are currently relying on other energy sources. The relatively low natural gas prices and the lower emissions levels from using natural gas compared to other fuels make it attractive for these customers to convert.

## OTHER ITEMS IMPACTING NET INCOME

### Other Income, Net

Other income, net was \$50 million and \$36 million in 2021 and 2020, respectively, and included AFUDC-equity. AFUDC-equity was \$45 million and \$30 million in 2021 and 2020, respectively. The increase in AFUDC-equity is primarily due to the timing of Tampa Electric's solar projects and the modernization of its Big Bend Power Station as discussed in the **Capital Investments** section below. AFUDC is expected to increase in 2022 due to the timing of construction of the Big Bend modernization, solar generation, grid modernization and PGS expansion projects.

### Interest Expense

In 2021, interest expense, excluding AFUDC-debt, was \$151 million compared to \$144 million in 2020. The increase is due to an increase in borrowings to support TEC's ongoing capital investments program.

Interest expense is expected to increase in 2022, reflecting higher balances and interest rates.

### Income Taxes

The provision for income taxes decreased in 2021 primarily due to higher tax benefits due to AFUDC and ITC amortization related to solar projects, partially offset by higher pre-tax income and lower R&D tax credits. Income tax expense as a percentage of income before taxes was 15.2% in 2021 and 16.2% in 2020. TEC expects the 2022 annual effective tax rate to be approximately 19%.

TEC is included in a consolidated U.S. federal income tax return with EUSHI and its subsidiaries. TEC's income tax expense is based upon a separate return method, modified for the benefits-for-loss allocation in accordance with TECO Energy's and EUSHI's respective tax sharing agreements. The cash payments for federal income taxes and state income taxes made under those tax sharing agreements totaled \$62 million and \$14 million in 2021 and 2020, respectively.

For more information on our income taxes, including a reconciliation between the statutory federal income tax rate, the effective tax rate and impacts of tax reform, see **Note 4** to the **2021 Annual TEC Consolidated Financial Statements**.

## LIQUIDITY, CAPITAL RESOURCES

### Balances as of December 31, 2021

(millions)

Credit facilities	\$	1,300
Drawn amounts/LCs		746
Available credit facilities		554
Cash and short-term investments		18
Total liquidity	\$	572

### Cash from Operating Activities

Cash flows from operating activities in 2021 were \$797 million, a decrease of \$32 million compared to 2020. The decrease is primarily due to the timing of fuel clause and conservation clause revenue recovery, higher accounts receivables balances due to increasing fuel prices reflected in customer bills and higher inventory balances due to plant growth, partially offset by the timing of invoice payments and new PGS customer rates going into effect in January 2021.

### Cash from Investing Activities

Cash flows from investing activities in 2021 resulted in a net use of cash of \$1.4 billion, which primarily reflects TEC's investment in capital. See the **Capital Investments** section for additional information.

### Cash from Financing Activities

Cash flows from financing activities in 2021 resulted in net cash inflows of \$608 million. TEC received \$790 million of proceeds from long-term debt, \$580 million of equity contributions from Parent and \$500 million proceeds from the 1-year term credit agreement. These increases in cash flows were partially offset by dividend payments to Parent of \$450 million, repayment of a 1-year term credit agreement of \$300 million, repayment of long-term debt of \$279 million and a decrease in short-term debt with maturities of less than 90 days of \$230 million.

### Cash and Liquidity Outlook

TEC's tariff-based gross margins are the principal source of cash from operating activities. A diversified retail customer mix, primarily consisting of rate-regulated residential, commercial, and industrial customers, provides TEC with a reasonably predictable source of cash. In addition to using cash generated from operating activities, TEC uses available cash and credit facility and commercial paper borrowings to support normal operations and capital requirements. TEC may reduce short-term borrowings with cash from operations, long-term borrowings, or capital contributions from Parent. TEC expects to make significant capital expenditures in 2022 as it invests in solar projects, the modernization of the Big Bend power plant, gas distribution system expansion and other projects. See **Capital Investments** section below for further detail on TEC's projected capital expenditures. TEC intends to fund those capital expenditures with available cash on hand, cash generated from operating activities, cash from equity contributions and debt issuances so that Tampa Electric and PGS maintain their capital structures consistent with the regulatory arrangements. Debt raised is subject to applicable regulatory approvals. Future financial market conditions could increase TEC's interest costs which could reduce earnings and cash flows.

As noted earlier, cash from operating activities and short-term borrowings are used to fund capital expenditures, which may result in periodic working capital deficits. The working capital deficit as of December 31, 2021 was primarily caused by short-term borrowings and periodic fluctuations in assets and liabilities related to FPSC clauses and riders. At December 31, 2021, TEC's unused capacity under its credit facilities was \$554 million.

TEC has credit facilities and commercial paper that provide \$1,300 million of credit, including \$500 million maturing in 2022 and \$800 million maturing in 2026. See **Note 6** to the **2021 Annual TEC Consolidated Financial Statements** for additional information regarding the credit facilities and commercial paper. TEC expects that its liquidity will be adequate for both the near and long term, given its expected operating cash flows, capital expenditures and related financing plans.

TEC expects cash from operations in 2022 to be higher than in 2021 primarily due to an increase in base rates effective in January 2022, higher cash inflows from fuel and cost of gas sold, and customer growth (see **Note 3** to the **2021 Annual TEC Consolidated Financial Statements**). TEC plans to use cash in 2022 to fund capital spending and to pay dividends to its shareholder. Dividends are paid at the discretion of TEC's Board of Directors.

TEC's credit facilities contain certain financial covenants (see **Covenants in Financing Agreements** section). TEC estimates that it could fully utilize the total available capacity under its facilities in 2022 and remain within the covenant restrictions.

### Short-Term Borrowings

TEC had the following credit facilities and related borrowings as of December 31, 2021 and 2020.

(millions)	December 31, 2021				December 31, 2020		
	Credit	Borrowings	Borrowings	Letters of	Credit	Borrowings	Letters of
	Facilities	Outstanding -	Outstanding -	Credit	Facilities	Outstanding <sup>(1)</sup>	Credit
		Credit Facilities <sup>(1)</sup>	Commercial Paper <sup>(1)</sup>	Outstanding			Outstanding
5-year facility <sup>(2)</sup>	\$ 800	\$ 0	\$ 245	\$ 1	\$ 800	\$ 345	\$ 1
3-year accounts receivable facility <sup>(3)</sup>	0	0	0	0	150	130	0
1-year term facility <sup>(4)</sup>	500	500	0	0	300	300	0
Total	\$ 1,300	\$ 500	\$ 245	\$ 1	\$ 1,250	\$ 775	\$ 1

- (1) Borrowings outstanding are reported as notes payable in the Consolidated Balance Sheets.
- (2) This 5-year facility matures December 17, 2026.
- (3) This 3-year facility matured on March 22, 2021.
- (4) This 1-year term facility was terminated on March 23, 2021. On December 17, 2021, TEC entered into another 1-year term facility that matures on December 16, 2022.

At December 31, 2021, the credit facility required a commitment fee of 12.5 basis points. The weighted average interest rate on outstanding amounts payable under the credit facilities and commercial paper program at December 31, 2021 and 2020 was 0.58% and 0.89%, respectively. For a complete description of the credit facilities see **Note 6** to the **2021 Annual TEC Consolidated Financial Statements**.

(millions)	Maximum drawn amount	Minimum drawn amount	Average drawn amount	Average interest rate
2021 credit facility utilization	\$ 1,080	\$ 0	\$ 458	0.60%

### Significant Financial Covenants

In order to utilize its bank credit facilities, TEC must meet certain financial tests as defined in the applicable agreements. In addition, TEC has certain restrictive covenants in specific agreements and debt instruments. At December 31, 2021, TEC was in compliance with all applicable financial covenants. The table that follows lists the significant financial covenants and the performance relative to them at December 31, 2021. Reference is made to the specific agreements and instruments for more details.

Instrument	Financial Covenant <sup>(1)</sup>	Requirement/Restriction	Calculation at December 31, 2021
Credit facility- \$800 million <sup>(2)</sup>	Debt/capital	Cannot exceed 65%	46.3%
Term facility - \$500 million <sup>(2)</sup>	Debt/capital	Cannot exceed 65%	46.3%

- (1) As defined in each applicable instrument.
- (2) See **Note 6** to the **2021 Annual TEC Consolidated Financial Statements** for a description of the credit facilities.

### Credit Ratings

	Standard & Poor's (S&P)	Moody's	Fitch
Credit ratings of senior unsecured debt	BBB+	A3	A
Credit ratings outlook	Stable	Positive	Stable

S&P, Moody's and Fitch describe credit ratings in the A3 or A category as having a strong capacity to meet its financial commitments. Ratings in the BBB or Baa category are described as representing adequate capacity for payment of financial obligations. The lowest investment grade credit rating for S&P is BBB-, for Moody's is Baa3 and for Fitch is BBB-; thus, the three credit rating agencies assign TEC's senior unsecured debt investment-grade credit ratings.

A credit rating agency rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. TEC's access to capital markets and cost of financing, including the applicability of restrictive financial covenants, are influenced by the ratings of its securities. In addition, certain of TEC's derivative instruments contain provisions that require TEC's debt to maintain investment grade credit ratings.

### Summary of Contractual Obligations

The following table lists the contractual obligations of TEC, including cash payments to repay long-term debt, interest payments, lease payments and unconditional commitments related to capital expenditures.

### Contractual Cash Obligations at December 31, 2021

(millions)	Payments Due by Period						
	Total	2022	2023	2024	2025	2026	After 2026
Long-term debt <sup>(1)</sup>	\$ 3,425	\$ 250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,175
Interest payment obligations <sup>(2)</sup>	2,941	141	133	133	134	134	2,266
Transportation <sup>(3)</sup>	2,951	244	224	215	200	197	1,871
Pension plan <sup>(4)</sup>	0	0	0	0	0	0	0
Capital projects <sup>(5)</sup>	265	202	63	0	0	0	0
Fuel and gas supply <sup>(3)</sup>	376	349	27	0	0	0	0
Purchased power	2	2	0	0	0	0	0
Long-term service agreements <sup>(6)</sup>	180	20	42	27	19	20	52
Operating leases	60	3	3	3	2	1	48
Demand side management <sup>(3)</sup>	4	2	1	1	0	0	0
Total contractual obligations	\$ 10,204	\$ 1,213	\$ 493	\$ 379	\$ 355	\$ 352	\$ 7,412

- (1) Includes debt at Tampa Electric and PGS (see the **Consolidated Statements of Capitalization** and **Note 7** to the **2021 Annual TEC Consolidated Financial Statements** for a list of long-term debt and the respective due dates).
- (2) Future interest payments are calculated based on the assumption that all debt is outstanding until maturity. For debt instruments with variable rates, interest is calculated for all future periods using the rates in effect at December 31, 2021.
- (3) These payment obligations under contractual agreements of Tampa Electric and PGS are recovered from customers under regulatory clauses approved by the FPSC (see the **Business** section).
- (4) Under calculation requirements of the Pension Protection Act, as of the January 1, 2021 measurement date, the pension plan was fully funded. Under ERISA guidelines, TEC is not required to make additional cash contributions; however, TEC may elect to make discretionary cash contributions prior to that time. Future contributions are subject to annual valuation reviews, which may vary significantly due to changes in interest rates, discount rate assumptions, plan asset performance, which is affected by investment portfolio performance, and other factors (see **Liquidity, Capital Resources** section and **Note 5** to the **2021 Annual TEC Consolidated Financial Statements**).
- (5) Represents outstanding commitments for major capital projects, including solar projects, the modernization of the Big Bend power plant, storm hardening for the transmission and distribution systems, new technology for distribution system grid modernization and the maintenance and refurbishment of existing generating facilities.
- (6) Represents outstanding commitments for service, including long-term capitalized maintenance agreements for Tampa Electric's CTs.

### Off-Balance Sheet Arrangements and Contingent Obligations

TEC does not have any material off-balance sheet arrangements or contingent obligations not otherwise included in our Consolidated Financial Statements as of December 31, 2021.

### Capital Investments

(millions)	Actual 2021	Forecasted 2022
Tampa Electric <sup>(1)</sup>		
Renewable generation	\$ 236	\$ 225
Transmission	85	75
Distribution	319	370
Generation	319	295
Facilities, equipment, vehicles and other	134	120
Tampa Electric total	1,093	1,085
PGS	308	270
Net cash effect of accruals, retentions and AFUDC	(4)	
Total	\$ 1,397	\$ 1,355

- (1) Individual line items exclude AFUDC-debt and equity.

Tampa Electric invested approximately \$850 million in solar projects during 2017 to 2021 (solar wave I). On February 18, 2020, Tampa Electric announced its intention to invest approximately \$800 million in an additional 600 MW of new utility-scale solar photovoltaic projects by the end of 2023 (solar wave II). As of December 31, 2021, Tampa Electric has invested approximately \$467 million in solar wave II. In addition, Tampa Electric intends to invest approximately \$300 million in an additional 225 MW of new

utility-scale solar photovoltaic projects in 2022 through 2024 (solar wave III). In connection with Tampa Electric's renewable energy plan, Tampa Electric expects to spend approximately \$280 million for 200 MW of battery storage in 2022 through 2024. AFUDC is being earned on these projects during construction.

Tampa Electric expects to invest approximately \$850 million through 2023 to modernize the Big Bend Power Station. This modernization project includes conversion of Unit 1 from coal-fired to natural gas combined-cycle technology and the early retirement of Unit 2. As of December 31, 2021, Tampa Electric has invested approximately \$695 million in this modernization project. AFUDC is being earned on this project during construction. As part of the Big Bend modernization, the two combustion turbines on Unit 1 modernization were placed into service on December 1, 2021.

Tampa Electric's 2021 capital expenditures included solar generation projects, the Big Bend modernization, storm hardening for the transmission and distribution systems, smart meters and the maintenance and refurbishment of existing generating facilities. In 2022, Tampa Electric expects capital expenditures to include solar generation projects, the Big Bend modernization, storm hardening for the transmission and distribution systems, new technology for distribution system grid modernization and the maintenance and refurbishment of existing generating facilities.

Capital expenditures in 2021 for PGS included maintenance of the existing system, expansion of the system and replacement of cast iron, bare steel and obsolete plastic pipe. In addition, PGS expects to invest in 2022 for projects associated with customer growth, system expansion to serve large commercial and industrial customers, including continued interest in CNG vehicle fleets, renewable natural gas facilities and information technology investments. The remainder of PGS's capital expenditure forecast for 2022 includes amounts related to ongoing renewal, replacement and system safety, including the replacement of cast iron, bare steel and obsolete plastic pipe, which is recovered through a rider clause (see the **Business-PGS-Regulation** section).

The forecasted capital expenditures shown above are based on current estimates and assumptions. Actual capital expenditures could vary materially from these estimates due to changes in and timing of projects and changes in costs for materials or labor (see the **Risk Factors** section).

### Capital Structure

Tampa Electric and PGS maintained capital structures consistent with their regulatory arrangements. At December 31, 2021 and 2020, TEC's year-end capital structure was 46% debt and 54% common equity.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements requires management to make various estimates and assumptions that affect revenues, expenses, assets, liabilities and disclosures. The policies and estimates identified below are, in the view of management, the more significant accounting policies and estimates used in the preparation of our consolidated financial statements. These estimates and assumptions are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments under different assumptions or conditions. See **Note 1** to the **2021 Annual TEC Consolidated Financial Statements** for a description of TEC's significant accounting policies and the estimates and assumptions used in the preparation of the consolidated financial statements.

### Regulatory Accounting

Tampa Electric's and PGS's retail businesses and the prices charged to customers are regulated by the FPSC. Tampa Electric's wholesale business is regulated by the FERC. As a result, Tampa Electric and PGS qualify for the application of accounting guidance for certain types of regulation. This guidance recognizes that the actions of a regulator can provide reasonable assurance of the existence of an asset or liability. Regulatory assets and liabilities arise as a result of a difference between U.S. GAAP and the accounting principles imposed by the regulatory authorities. Regulatory assets generally represent incurred costs that have been deferred, as their future recovery in customer rates is probable. Regulatory liabilities generally represent obligations to make refunds to customers from previous collections for costs that are not likely to be incurred.

TEC regularly assesses the probability of recovery of the regulatory assets by considering factors such as regulatory environment changes, recent rate orders to other regulated entities in the same jurisdiction, the current political climate in the state, and the status of any pending or potential deregulation legislation. The assumptions and judgments used by regulatory authorities will continue to have an impact on the recovery of costs, the rate earned on invested capital and the timing and amount of assets to be recovered.

TEC's most significant regulatory liability relates to non-ARO costs of removal and regulatory tax liability. The non-ARO costs of removal represent estimated funds received from customers through depreciation rates to cover future non-legally required cost of

removal of property, plant and equipment upon retirement. TEC accrues for removal costs over the life of the related assets based on depreciation studies approved by the FPSC. The costs are estimated based on historical experience and future expectations, including expected timing and estimated future cash outlays. The regulatory tax liability is the offset to the adjustment to the deferred tax liability remeasured as a result of tax reform. See **Note 4** to the **2021 Annual TEC Consolidated Financial Statements** for further information.

The application of regulatory accounting guidance is a critical accounting policy and estimate since a difference in these assumptions and actual results may result in a material impact on reported assets and the results of operations (see **Note 3** to the **2021 Annual TEC Consolidated Financial Statements**).

## Income Taxes

TEC uses the asset and liability method in the measurement of deferred income taxes. Under the asset and liability method, TEC estimates the current tax exposure and assesses the temporary differences resulting from differing treatment of items, such as depreciation, for financial statement and tax purposes. These differences are reported as deferred taxes measured at enacted rates in the consolidated financial statements. Management reviews all reasonably available current and historical information, including forward-looking information, to determine if it is more likely than not that some or the entire deferred tax asset will not be realized. If TEC determines that it is likely that some or all of a deferred tax asset will not be realized, then a valuation allowance is recorded to report the balance at the amount expected to be realized. At December 31, 2021, TEC does not have a valuation allowance. At December 31, 2021, TEC had a net deferred income tax liability of \$858 million, attributable primarily to property-related items.

See further discussion of uncertainty in income taxes, impacts of tax reform and other tax items in **Note 4** to the **2021 Annual TEC Consolidated Financial Statements**.

## Employee Postretirement Benefits

TEC is a participant in the retirement plans of TECO Energy. TECO Energy sponsors a defined benefit pension plan (pension plan), a fully-funded non-qualified, non-contributory supplemental executive retirement benefit plan available to certain members of senior management and an unfunded non-qualified, non-contributory Restoration Plan that allows certain members of senior management to receive an additional benefit to restore what is limited by the IRS under the pension plan. TEC recognizes in its statement of financial position the over-funded or under-funded status of its allocated portion of TECO Energy's postretirement benefit plans. The accounting related to employee postretirement benefits is a critical accounting estimate for TEC for the following reasons: 1) a change in the estimated benefit obligation could have a material impact on reported assets, liabilities and results of operations; and 2) changes in assumptions could change the annual pension funding requirements, which could have a significant impact on TEC's annual cash requirements.

Several statistical and other factors which attempt to anticipate future events are used in calculating the expenses and liabilities related to these plans. Key factors include assumptions about the expected rates of return on plan assets, discount rates and mortality rates. TECO Energy determines these factors within certain guidelines and with the help of external consultants. TECO Energy considers market conditions, including but not limited to, changes in investment returns and interest rates, in making these assumptions.

Pension plan assets (plan assets) are invested in a mix of equity and fixed-income securities. The expected return on asset assumption was based on expectations of long-term inflation, real growth in the economy, fixed income spreads and equity premiums consistent with the company's portfolio, with provision for active management and expenses paid from the trust that holds the plan assets. The expected return on assets was 6.70% as of January 1, 2021. The expected return on assets was 7.00% as of January 1, 2020. The expected return on assets was 7.35% as of January 1, 2019 and 7.00% as of October 31, 2019 when a plan remeasurement occurred as a result of a plan curtailment. Given recent strong capital market returns and market expectations for long-term interest rates, TECO Energy expects the expected return on assets to be 6.50% for 2022. Actual earned returns in 2021 were 9.0%.

The discount rate assumption used to measure the 2021, 2020 and 2019 benefit expense was an above-mean yield curve. The above-mean yield curve technique matches the yields from high-quality (AA-rated, non-callable) corporate bonds to the company's projected cash flows for the plans to develop a present value that is converted to a discount rate assumption, which is subject to change each year.

Holding all other assumptions constant, a 1% decrease in the assumed rate of return on pension plan assets or the discount rate assumption would have had in 2021 and is anticipated to have in 2022 the following impact on TEC's after-tax pension cost:

Year	1% Decrease in Assumed Expected Return on Assets	1% Decrease in Assumed Discount Rate
2021	\$7 million increase	\$3 million increase
2022	\$5 million increase	\$1 million increase

Unrecognized actuarial gains and losses for the pension plan are being recognized over a period of approximately 11 years, which represents the expected remaining service life of the employee group. Unrecognized actuarial gains and losses arise from several factors including experience and assumption changes in the obligations and from the difference between expected return and actual returns on plan assets. These unrecognized gains and losses will be systematically recognized in future net periodic pension expense in accordance with applicable accounting guidance for pensions.

The key assumptions used in determining the amount of obligation and expense recorded for postretirement benefits other than pension (OPEB), under the applicable accounting guidance, include the assumed discount rate and the assumed rate of increases in future health care costs. TECO Energy determines the discount rate for the OPEB's projected benefit cash flows. In estimating the health care cost trend rate, TECO Energy considers its actual health care cost experience, future benefit structures, industry trends, and advice from our outside actuaries.

See the discussion of employee postretirement benefits in **Note 5** to the **2021 Annual TEC Consolidated Financial Statements**.

## RECENTLY ISSUED ACCOUNTING STANDARDS

### Change in Accounting Policy

TEC considers the applicability and impact of all ASUs issued by the FASB. TEC was not required to and did not adopt any new ASUs in 2021.

## ENVIRONMENTAL COMPLIANCE

### Environmental Matters

TEC has significant environmental considerations. Tampa Electric operates stationary sources with air emissions regulated by the Clean Air Act. Its operations are also impacted by provisions in the Clean Water Act and federal and state legislative initiatives on environmental matters. TEC, through its Tampa Electric and PGS divisions, is a potentially responsible party (PRP) for certain superfund sites and, through its PGS division, for certain former manufactured gas plant sites.

### Hazardous Air Pollutants (HAPS) Maximum Achievable Control Technology (MACT) Mercury Air Toxics Standards (MATS)

On June 29, 2015, the U.S. Supreme Court remanded the EPA's Mercury Air Toxics Standards (MATS) to the D.C. Circuit Court of Appeals for failing to properly consider the cost of compliance. The litigation is currently in abeyance while the EPA reconsiders its action. MATS remain in effect until the D.C. Circuit Court of Appeals acts.

All of Tampa Electric's conventional coal-fired units are already equipped with electrostatic precipitators, scrubbers and SCRs, and the Polk Unit 1 IGCC unit emissions are minimized in the gasification process. Therefore, Tampa Electric has minimized the impact of this rule and has demonstrated compliance on all applicable units with the most stringent "Low Emitting Electric Generating Unit" classification for MATS with nominal additional capital investment.

### Carbon Reductions and GHG

Tampa Electric has historically supported voluntary efforts to reduce carbon emissions and has taken significant steps to reduce overall emissions at Tampa Electric's facilities. Since 2000, Tampa Electric has reduced its system-wide emissions of CO<sub>2</sub> by more than 50%, bringing emissions to below 1990 levels. Tampa Electric CO<sub>2</sub> emissions continue to remain below 1990 levels. In addition to the emission decreases in 2005 as the result of the repowering of two Gannon Station coal units to natural gas and the shut-down of the remaining Gannon Station coal-fired units, Tampa Electric has optimized its existing coal units to operate on natural gas. During this same time frame, the number of retail customers and retail energy sales have risen. Tampa Electric is also substantially reducing

CO<sub>2</sub> emissions by significantly expanding the use of solar power, repowering Big Bend Unit 1 steam turbine, and retiring Big Bend Unit 2. By the end of 2023, the Big Bend Unit 1 modernization project, capable of producing 1,090 megawatts of power, will lead to lower system-wide emissions. See **Capital Investments** above for information regarding Tampa Electric's solar projects. Tampa Electric has announced a long-term goal to reduce CO<sub>2</sub> emissions to 80% of 2000 levels by 2040 and aspires to reach a net zero future by 2050.

On June 19, 2019, the EPA released a final rule, named the Affordable Clean Energy (ACE) rule, to establish emission guidelines for states to address GHG emissions from existing coal-fired electric generating units (EGUs). On January 19, 2021, the D.C. Circuit Court of Appeals vacated the ACE rule and remanded it to the EPA. A replacement rule is under development. Compliance with the terms of the new rule that replaces the ACE rule, once adopted and finalized, could cause an increase in costs or rates charged to customers, which could curtail sales. See **Item 1A - Risk Factors**.

Tampa Electric expects that the costs to comply with new environmental regulations would be eligible for recovery through the ECRC. If approved as prudent, the costs required to comply with CO<sub>2</sub> emissions reductions would be reflected in customers' bills. If the regulation allowing cost recovery is changed and the cost of compliance is not recovered through the ECRC, Tampa Electric could seek to recover those costs through a base-rate proceeding.

### **Ozone**

On December 31, 2020, the EPA published a final rule to retain the national ambient air quality standards (NAAQS) for photochemical oxidants including ozone, originally adopted in 2012. Under the Clean Air Act, the EPA is required to review the NAAQS every five years and, if appropriate, revise it. The EPA has announced that the NAAQS is currently under review, which could result in revisions to the standard affecting compliance in Tampa Electric's service territory. The impact of this potential new standard on the operations of Tampa Electric will depend on the standard that is ultimately adopted and on the outcome of any related litigation or other developments.

### **Water Supply and Quality**

The EPA's final rule under 316(b) of the Clean Water Act (effective October 2014) addresses perceived impacts to aquatic life by cooling water intakes and is applicable to Tampa Electric's Bayside and Big Bend Power Stations. Polk Power Station is not covered by this rule since it does not operate an intake on Waters of the U.S. Tampa Electric has two ongoing projects (one for Bayside and one for Big Bend) that require compliance with the rule. Compliance includes the completion of the biological, technical, and financial study elements required by the rule. These study elements have been completed and submitted for Bayside and will ultimately be used by FDEP to determine the necessity of cooling water system retrofits. Tampa Electric is negotiating an alternative schedule (as allowed by the rule) and will be completing a portion of the compliance requirements with the Big Bend modernization project with the remainder to be completed at a later date. The full impact of the new regulations on Tampa Electric will depend on the outcome of subsequent legal proceedings challenging the rule, the results of the study elements performed as part of the rules' implementation, and the actual requirements established by FDEP.

The final EPA rule for existing steam electric effluent limit guidelines (ELGs) became effective January 4, 2016 and establishes limits for wastewater discharges from flue gas desulfurization (FGD) processes, fly ash and bottom ash transport water, leachate from ponds and landfills containing coal combustion residuals, gasification processes, and flue gas mercury controls. The new guidelines are expected to be incorporated into National Pollutant Discharge Elimination System permit renewals for Big Bend Station (FGD wastewater and bottom ash transport water) and Polk Power Station (gasification wastewater) to achieve compliance as soon as possible after November 1, 2018, but no later than December 31, 2023. The EPA decided to extend the near-term deadlines for FGD wastewater and bottom ash transport water to as soon as possible after November 1, 2020. On November 22, 2019, the EPA published in the Federal Register its proposed updates to the ELGs, in which the EPA revised limits for both bottom ash transport water and FGD wastewater and extended the final compliance deadline by two years for FGD wastewater. The final rule with revised limits was published on October 13, 2020 and became effective December 14, 2020. Although a legal challenge to this rule is pending in the D.C. Circuit Court of Appeals, no stays are in effect. However, the EPA has announced that this rule is currently under review, and a revised rule is expected to be proposed in 2022.

The preliminary draft of the NPDES Permit for Big Bend stated that effluent limitations for total recoverable arsenic, mercury, and selenium and total nitrate/nitrite for FGD wastewater are applicable no later than December 31, 2023. Since Polk Power Station disposes of any gasification wastewater created down the deep injection well rather than discharging it to surface water, the effluent limitations do not apply to that power station.

### **EPA Waters of the US**

In January 2020, the EPA and the Corps finalized a rule, called the Navigable Waters Protection Rule (NWPR), to define "waters of the United States" and thereby establish federal regulatory authority under the Clean Water Act. This final rule became



effective in June 2020 and replaced the rule published in October 2019. While there have been numerous legal challenges filed in federal court, there are no legal stays in effect. However, the EPA and the U.S. Army Corps of Engineers (the Corps) are in receipt of an order of the U.S. District Court for the District of Arizona dated August 30, 2021, which vacates and remands the NWPR. As a result of this order, the agencies have halted implementation of the NWPR and are currently interpreting “waters of the United States” consistent with its meaning prior to the adoption of the 2015 rule that was repealed in October 2019. The EPA is also engaging in additional rulemaking to revise NWPR. In November 2021, the EPA and the Corps announced a proposed rule which would re-establish the pre-2015 definition of “waters of the United States” updated “to reflect consideration of Supreme Court decisions”. Public hearings on the proposed new rule were held in January 2022. The agencies also established a comment period for the proposed rule which closed on February 7, 2022.

### **Superfund and Former Manufactured Gas Plant Sites**

TEC, through its Tampa Electric and PGS divisions, is a PRP for certain superfund sites and, through its PGS division, for certain former manufactured gas plant sites. While the joint and several liability associated with these sites presents the potential for significant response costs, as of December 31, 2021, TEC has estimated its ultimate financial liability to be \$14 million, primarily at PGS. This amount has been accrued and is primarily reflected in the long-term liability section under “Other” on the Consolidated Balance Sheets. The environmental remediation costs associated with these sites are expected to be paid over many years.

The estimated amounts represent only the portion of the cleanup costs attributable to TEC. The estimates to perform the work are based on TEC’s experience with similar work, adjusted for site-specific conditions and agreements with the respective governmental agencies. The estimates are made in current dollars, are not discounted and do not assume any insurance recoveries.

In instances where other PRPs are involved, most of those PRPs are creditworthy and are likely to continue to be creditworthy for the duration of the remediation work. However, in those instances that they are not, TEC could be liable for more than TEC’s actual percentage of the remediation costs.

Factors that could impact these estimates include the ability of other PRPs to pay their pro-rata portion of the cleanup costs, additional testing and investigation which could expand the scope of the cleanup activities, additional liability that might arise from the cleanup activities themselves or changes in laws or regulations that could require additional remediation. Under current regulations, these costs are recoverable through customer rates established in subsequent base rate proceedings.

### **Coal Combustion Residuals Recycling and Regulation**

Tampa Electric produces ash and other by-products, collectively known as CCRs, at its Big Bend and Polk Power stations. An annual average of 95% of all CCRs produced at these facilities is marketed to customers for beneficial use in commercial and industrial products.

The EPA’s final CCR rule became effective on October 19, 2015 and regulates CCRs as non-hazardous solid waste. On February 2, 2016, the FPSC approved Tampa Electric’s proposed CCR compliance program for recovery of certain capital and O&M expenses through the ECRC. On December 12, 2017, the FPSC approved an additional petition for recovery of expenses associated with the closure of Tampa Electric’s Big Bend Economizer Ash and Pyrite Ponds which began in late November 2018. The O&M expenses for disposal of CCRs from this project began in 2019 and continued through 2021. Closure of Tampa Electric’s West Slag Dewatering Pond and improvements were completed in 2020. Final drainage improvements to Tampa Electric’s North Gypsum Stackout Area will be completed in 2022. In August 2019, the EPA proposed Phase II revisions to the rule that included a revised beneficial use definition and restrictions on offsite beneficial use storage piles, both of which could negatively affect management and recycling of CCRs by TEC’s customers for these products. Review of this rule is ongoing. FDEP has proposed a Florida CCR permitting program to be incorporated into the existing state solid waste regulation, which will operate in lieu of the Federal permitting program. However, since TEC has already closed all of its regulated CCR Units by October 2021, neither Federal nor State programs regulating CCRs would be expected to have a significant impact on TEC. See **Note 12** to the **2021 Annual TEC Consolidated Financial Statements** for information regarding the estimated impact on Tampa Electric’s AROs.

### **Conservation**

In 2021, Tampa Electric continued to offer its customers a comprehensive array of residential and commercial Demand Side Management (DSM) programs. Tampa Electric suspended non-essential energy management field work due to the COVID pandemic in March 2020 and resumed normal operations in November 2021. As part of a five-year pilot program, Tampa Electric has completed the installation of a fully integrated renewable energy system that utilizes a large solar array integrated with battery storage and electric vehicle and large commercial vehicle battery charging system. As part of Tampa Electric’s settlement agreement related to its 2021 rate case, Tampa Electric agreed to increase the amount of assistance provided to low-income customers in 2022 through conservation weatherization and energy education and to adjust the amount of credits provided to commercial and industrial customers for their participation in Tampa Electric’s load management and demand response programs.

In 2021, Tampa Electric achieved all of its commercial annual energy and demand goals, the annual residential summer demand and annual energy goal, and the total combined annual energy and summer demand goals. To achieve these DSM goals, Tampa Electric offered 36 cost-effective DSM Programs. These programs and their costs are approved annually by the FPSC, with the costs recovered through a clause rate on the customer's electric bill. Since their inception to January 1, 2021, Tampa Electric's conservation programs have contributed to reducing the summer peak demand by 779 MWs and the winter peak demand by 1,288 MWs.

In 2020, PGS implemented an online energy audit program for residential customers. PGS expects to offer a walkthrough energy audit for commercial customers in 2022. Both programs were approved by the FPSC as part of its DSM goals in 2019. PGS received approval of its DSM plan in June 2021, which will support the achievement of these DSM goals on an annual basis. Starting in 2019, PGS initiated the reporting of annual energy reduction achievements as part of meeting the requirements of Florida Energy Efficiency and Conservation Act. In 2021, PGS' conservation programs saved 718,000 therms. These programs and their costs are approved annually by the FPSC, with the costs recovered through a clause rate on the customer's gas bill.

## REGULATION

See the **Business** section (**Tampa Electric – Electric Operations** and **Peoples Gas System – Gas Operations** sections) and **Note 3** to the **2021 Annual TEC Consolidated Financial Statements** for a description of the utilities' base rates, cost-recovery clauses and competition.

### Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Risk Management Infrastructure

TEC is subject to various types of market risk in the course of daily operations, as discussed below. TEC has adopted an enterprise-wide approach to the management and control of market and credit risk. Middle Office risk management functions, including credit risk management and risk control, are independent of each transacting entity (Front Office).

TECO Energy's Risk Management Policy (Policy) governs all energy transacting activity. The Policy is administered by a Risk Authorizing Committee (RAC) that is comprised of senior management. Within the bounds of the Policy, the RAC approves specific hedging strategies, new transaction types or products, limits, and transacting authorities. Transaction activity is reported daily and measured against limits. For all commodity risk management activities, derivative transaction volumes are limited to the anticipated volume for customer sales or supplier procurement activities.

TEC operates and oversees transaction activity related to interest rate risk exposures. Interest rate derivative transaction activity is directly correlated to borrowing activities.

#### Risk Management Objectives

The Front Office is responsible for reducing and mitigating the market risk exposures that arise from the ownership of physical assets and contractual obligations. The primary objectives of the risk management organization, the Middle Office, are to quantify, measure, and monitor the market risk exposures arising from the activities of the Front Office and the ownership of physical assets. In addition, the Middle Office is responsible for enforcing the limits and procedures established under the approved risk management policies. Based on the policies approved by TEC's board of directors and the procedures established by the RAC, from time to time, TEC enters into futures, forwards, swaps and option contracts to limit the exposure to items such as:

- Price fluctuations for physical purchases and sales of natural gas in the course of normal operations; and
- Interest rate fluctuations on debt.

TEC uses derivatives only to reduce normal operating and market risks, not for speculative purposes. The primary objective in using derivative instruments for regulated operations is to reduce the impact of market price volatility on customers.

On November 6, 2017, the FPSC approved an amended and restated settlement agreement filed by Tampa Electric, which includes a provision for a moratorium on hedging of natural gas purchases ending on December 31, 2022. On October 21, 2021, the FPSC approved a settlement agreement filed by Tampa Electric related to its 2021 rate case that extended the moratorium to December 31, 2024 (see **Note 3** to the **2021 Annual TEC Consolidated Financial Statements** for further information on the settlement agreements). As of December 31, 2021, TEC had no hedges in place.

## Credit Risk

TEC has a rigorous process for the establishment of new trading counterparties and evaluation of current counterparties. This process includes an evaluation of each counterparty's credit ratings, as applicable, and/or its financial statements, with attention paid to liquidity and capital resources; establishment of counterparty specific credit limits; optimization of credit terms; and execution of standardized enabling agreements. TEC manages credit risk with policies and procedures for counterparty analysis, exposure measurement, and exposure monitoring and mitigation. Credit assessments are conducted on all counterparties, and deposits or collateral are requested on any high-risk accounts.

Certain of TEC's derivative instruments, including NPNS agreements, contain provisions that require our debt to maintain an investment-grade credit rating from any or all of the major credit rating agencies. If TEC's debt ratings were to fall below investment grade or not be rated, it could trigger these provisions, and the counterparties to the derivative instruments could demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions.

## Interest Rate Risk

TEC is exposed to changes in interest rates primarily as a result of borrowing activities. TEC may enter into futures, swaps and option contracts, in accordance with the approved risk management policies and procedures, to moderate this exposure to interest rate changes and achieve a desired level of fixed and variable rate debt. As of December 31, 2021 and 2020, TEC had no hedges of interest rates in place. As of December 31, 2021 and 2020, a hypothetical 10% increase in TEC's weighted-average interest rate on its variable rate debt during the subsequent year would not have resulted in a material impact on pre-tax earnings. This is driven by the low amounts of variable rate debt at TEC. A hypothetical 10% increase in interest rates would have decreased the fair market value of TEC's long-term debt by 4.0% at December 31, 2021 and 3.6% at December 31, 2020. See the **Financing Activity** section and **Notes 6 and 7** to the **2021 Annual TEC Consolidated Financial Statements**. These amounts were determined based on the variable rate obligations existing on the indicated dates at TEC. The above sensitivities assume no changes to TEC's financial structure and could be affected by changes in TEC's credit ratings, changes in general economic conditions or other external factors (see the **Risk Factors** section).

## Commodity Risk

TEC faces varying degrees of exposure to commodity risks including natural gas, coal, fuel oil and other energy commodity prices. Any changes in prices could affect the prices these businesses charge, their operating costs and the competitive position of their products and services. Management uses different risk measurement and monitoring tools based on the degree of exposure of each operating company to commodity risks.

## Regulated Utilities

Tampa Electric's fuel costs used for generation are affected primarily by the price of natural gas and, to a lesser degree, the cost of coal and oil. Tampa Electric's use of natural gas, with its more volatile pricing, for generation of electricity was 86% in 2021 and 89% in 2020 (see the **Business** section). PGS has exposure related to the price of purchased gas and pipeline capacity.

Currently, TEC's commodity price risks are largely mitigated by the fact that increases in the price of prudently incurred fuel and purchased power are recovered through FPSC-approved cost-recovery clauses, with no anticipated effect on earnings. However, increasing fuel cost-recovery has the potential to affect total energy usage and the relative attractiveness of electricity and natural gas to consumers. TEC manages commodity price risk by entering into long-term fuel supply agreements, prudently operating plant facilities to optimize cost and, prior to the moratorium mentioned above, entering into derivative transactions designated as cash flow hedges of anticipated purchases of wholesale natural gas. At December 31, 2021 and 2020, a change in commodity prices would not have had a material impact on earnings for Tampa Electric or PGS, but could have had an impact on the timing of the cash recovery of the cost of fuel.

**TAMPA ELECTRIC COMPANY**

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**Report of Independent Registered Public Accounting Firm**

To the Shareholder and the Board of Directors of Tampa Electric Company

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Tampa Electric Company (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income and comprehensive income, capitalization and cash flows for each of the three years in the period ended December 31, 2021 and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

<i>Description of the Matter</i>	<p><b><i>Accounting for the effects of regulatory matters</i></b></p> <p>As disclosed in Note 3 of the consolidated financial statements, the Company has \$1,002 million in regulatory assets and \$1,170 million in regulatory liabilities. As disclosed in Note 3, Tampa Electric's retail business and the Peoples Gas System are regulated separately by the Florida Public Service Commission (FPSC), and Tampa Electric is also subject to regulation by the Federal Energy Regulatory Commission (FERC) (collectively, the regulators). The regulatory rates are designed to recover the prudently incurred costs of providing the regulated products or services and provide a reasonable return on the equity invested or assets, as applicable. In addition to regulatory assets and liabilities, rate regulation impacts multiple financial statement line items, including property, plant and equipment, revenues, and expenses.</p> <p>Auditing the impact of rate regulation on the Company's financial statements is complex and highly judgmental due to the significant judgments made by the Company to support its accounting and disclosure for regulatory matters when final regulatory decisions or orders have not yet been obtained or when regulatory formulas are complex. There is also subjectivity involved in assessing the potential impact of future regulatory decisions on the financial statements. Although the Company expects to recover costs from customers through rates, there is a risk that the regulator may not approve full recovery of costs incurred. The Company's judgments include making an assessment of the probable recovery of and recovery on costs incurred, of the disallowance of part of the cost of recently completed property, plant, and equipment and construction work in progress, or of the probable refund to customers through future rates.</p>
<i>How We Addressed the Matter in Our Audit</i>	<p>We performed audit procedures that included, among others, assessing the Company's evaluation of the probability of future recovery for regulatory assets and refund of regulatory liabilities by obtaining and reviewing relevant regulatory orders, filings, testimony, hearings and correspondence, and other publicly available information. For regulatory matters for which regulatory decisions or orders have not yet been obtained, we inspected the regulatory filings for any evidence that might contradict the Company's assertions, and reviewed other regulatory orders, filings and correspondence for other entities within the same jurisdiction to assess the likelihood of recovery in future rates based on the regulator's treatment of similar costs under similar circumstances. We obtained and evaluated an analysis from the Company and corroborated that analysis with letters from legal counsel, when appropriate, regarding cost recoveries or future changes in rates. We also assessed the methodology, accuracy and completeness of the Company's calculations of regulatory asset and liability balances based on provisions and formulas outlined in rate orders and other correspondence with the regulators. We also evaluated the Company's disclosures related to the impacts of rate regulation.</p>

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2018.

Tampa, Florida  
 February 14, 2022

**TAMPA ELECTRIC COMPANY**  
**Consolidated Balance Sheets**

<i>Assets</i> <i>(millions)</i>	<i>December 31,</i> <i>2021</i>	<i>December 31,</i> <i>2020</i>
<b>Property, plant and equipment</b>		
Utility plant		
Electric	\$ 11,563	\$ 11,486
Gas	2,626	2,332
Utility plant, at original costs	14,189	13,818
Accumulated depreciation	(3,601)	(3,712)
Utility plant, net	10,588	10,106
Other property	14	14
Total property, plant and equipment, net	10,602	10,120
<b>Current assets</b>		
Cash and cash equivalents	18	10
Receivables, less allowance for credit losses of \$7 and \$7 at December 31, 2021 and 2020, respectively	254	219
Due from affiliates	8	11
Inventories, at average cost		
Fuel	20	26
Materials and supplies	121	107
Regulatory assets	136	79
Prepayments and other current assets	22	10
Total current assets	579	462
<b>Deferred debits</b>		
Regulatory assets	866	406
Other	149	60
Total deferred debits	1,015	466
<b>Total assets</b>	<u>\$ 12,196</u>	<u>\$ 11,048</u>

The accompanying notes are an integral part of the consolidated financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Balance Sheets—continued**

<b>Liabilities and Capital</b> <i>(millions)</i>	<i>December 31,</i> <i>2021</i>	<i>December 31,</i> <i>2020</i>
<b>Capitalization</b>		
Common stock	\$ 4,470	\$ 3,890
Accumulated other comprehensive loss	(1)	(1)
Retained earnings	323	327
Total capital	4,792	4,216
Long-term debt	3,136	2,594
Total capital	7,928	6,810
<b>Current liabilities</b>		
Long-term debt due within one year	250	278
Notes payable	745	775
Accounts payable	390	321
Due to affiliates	44	46
Customer deposits	132	130
Regulatory liabilities	78	67
Accrued interest	18	13
Accrued taxes	19	22
Other	51	57
Total current liabilities	1,727	1,709
<b>Long-term liabilities</b>		
Deferred income taxes	858	783
Regulatory liabilities	1,092	1,194
Investment tax credits	249	216
Deferred credits and other liabilities	342	336
Total deferred credits	2,541	2,529
<b>Commitments and Contingencies (see Note 8)</b>		
<b>Total liabilities and capital</b>	<u>\$ 12,196</u>	<u>\$ 11,048</u>

The accompanying notes are an integral part of the consolidated financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Statements of Income and Comprehensive Income**

(millions)

For the years ended December 31,

	2021	2020	2019
<b>Revenues</b>			
Electric	\$ 2,170	\$ 1,845	\$ 1,961
Gas	525	427	443
Total revenues	<u>2,695</u>	<u>2,272</u>	<u>2,404</u>
<b>Expenses</b>			
Fuel	604	340	516
Purchased power	106	83	49
Cost of natural gas sold	155	121	152
Operations & maintenance	566	542	543
Depreciation and amortization	430	384	377
Taxes, other than income	228	202	206
Total expenses	<u>2,089</u>	<u>1,672</u>	<u>1,843</u>
<b>Income from operations</b>	<u>606</u>	<u>600</u>	<u>561</u>
<b>Other income</b>			
Allowance for other funds used during construction	45	30	11
Other income, net	5	6	9
Total other income	<u>50</u>	<u>36</u>	<u>20</u>
<b>Interest charges</b>			
Interest expense	151	144	139
Allowance for borrowed funds used during construction	(21)	(14)	(5)
Total interest charges	<u>130</u>	<u>130</u>	<u>134</u>
<b>Income before provision for income taxes</b>	526	506	447
Provision for income taxes	80	82	77
<b>Net income</b>	<u>\$ 446</u>	<u>\$ 424</u>	<u>\$ 370</u>
<b>Comprehensive income</b>	<u>\$ 446</u>	<u>\$ 424</u>	<u>\$ 370</u>

The accompanying notes are an integral part of the consolidated financial statements.



**TAMPA ELECTRIC COMPANY**  
**Consolidated Statements of Cash Flows**

(millions)

For the years ended December 31,

	2021	2020	2019
<b>Cash flows from or used in operating activities</b>			
Net income	\$ 446	\$ 424	\$ 370
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	430	384	377
Deferred income taxes and investment tax credits	28	54	15
Allowance for equity funds used during construction	(45)	(30)	(11)
Deferred recovery clauses	(58)	(40)	63
Receivables, less allowance for credit losses	(32)	(10)	52
Inventories	(8)	7	6
Taxes accrued	(13)	23	1
Accounts payable	53	34	(4)
Regulatory assets and liabilities	(10)	(18)	1
Other	6	1	(29)
Cash flows from operating activities	797	829	841
<b>Cash flows from or used in investing activities</b>			
Capital expenditures	(1,397)	(1,361)	(1,283)
Net proceeds from sale of assets	0	6	0
Cash flows used in investing activities	(1,397)	(1,355)	(1,283)
<b>Cash flows from or used in financing activities</b>			
Equity contributions from Parent	580	505	395
Proceeds from long-term debt issuance	790	0	292
Repayment of long-term debt	(279)	0	0
Net change in short-term debt (maturities of 90 days or less)	(230)	127	127
Proceeds from other short-term debt (maturities over 90 days)	500	300	0
Repayment of other short-term debt (maturities over 90 days)	(300)	0	0
Dividends to Parent	(450)	(408)	(373)
Other financing activities	(3)	(2)	0
Cash flows from financing activities	608	522	441
<b>Net increase (decrease) in cash and cash equivalents</b>	8	(4)	(1)
<b>Cash and cash equivalents at beginning of the year</b>	10	14	15
<b>Cash and cash equivalents at end of the year</b>	<u>\$ 18</u>	<u>\$ 10</u>	<u>\$ 14</u>
<b>Supplemental disclosure of cash paid (received):</b>			
Interest	\$ 120	\$ 126	\$ 134
Income taxes	\$ 62	\$ 14	\$ 63
<b>Supplemental disclosure of non-cash activities</b>			
Change in accrued capital expenditures	\$ 25	\$ 1	\$ 17

The accompanying notes are an integral part of the consolidated financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Statements of Capitalization**

<i>(millions, except share amounts)</i>	Shares <sup>(1)</sup>	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Capital
Balance, December 31, 2018	10	2,990	\$ 314	\$ (1)	\$ 3,303
Net income			370		370
Equity contributions from Parent		395			395
Dividends to Parent <sup>(2)</sup>			(373)		(373)
Balance, December 31, 2019	10	\$ 3,385	\$ 311	\$ (1)	\$ 3,695
Net income			424		424
Equity contributions from Parent		505			505
Dividends to Parent <sup>(2)</sup>			(408)		(408)
Balance, December 31, 2020	10	\$ 3,890	\$ 327	\$ (1)	\$ 4,216
Net income			446		446
Equity contributions from Parent		580			580
Dividends to Parent <sup>(2)</sup>			(450)		(450)
Balance, December 31, 2021	10	\$ 4,470	\$ 323	\$ (1)	\$ 4,792

**Preferred stock – \$100 par value**

1.5 million shares authorized, none outstanding.

**Preferred stock – no par**

2.5 million shares authorized, none outstanding.

**Preference stock – no par, subordinate to the preferred stock**

2.5 million shares authorized, none outstanding.

(1) Common stock without par value, 25 million shares authorized

(2) Dividends are declared and paid at the discretion of TEC's Board of Directors.

The accompanying notes are an integral part of the consolidated financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Statements of Capitalization – continued**

At December 31, 2021 and 2020, TEC had the following long-term debt outstanding:

**Long-Term Debt**

<i>(millions)</i>		<i>Due</i>	<i>2021</i>	<i>2020</i>
<b>Tampa Electric</b>	Notes <sup>(1)(2)(3)</sup> : 5.40%	2021	\$ 0	\$ 231
	2.60%	2022	225	225
	2.40%	2031	285	0
	6.55%	2036	250	250
	6.15%	2037	190	190
	4.10%	2042	250	250
	4.35%	2044	290	290
	4.20%	2045	230	230
	4.30%	2048	275	275
	4.45%	2049	350	350
	3.63%	2050	275	275
	3.45%	2051	285	0
	Total long-term debt of Tampa Electric		2,905	2,566
<b>PGS</b>	Notes <sup>(1)(2)(3)</sup> : 5.40%	2021	0	47
	2.60%	2022	25	25
	2.40%	2031	115	0
	6.15%	2037	60	60
	4.10%	2042	50	50
	4.35%	2044	10	10
	4.20%	2045	20	20
	4.30%	2048	75	75
	4.45%	2049	25	25
	3.63%	2050	25	25
	3.45%	2051	115	0
	Total long-term debt of PGS		520	337
Total long-term debt			3,425	2,903
Unamortized debt discount, net			(12)	(10)
Debt issuance costs			(27)	(21)
Total carrying amount of long-term debt			3,386	2,872
Less amount due within one year			250	278
Total long-term debt			<u>\$ 3,136</u>	<u>\$ 2,594</u>

- (1) These senior unsecured debt securities are subject to redemption in whole or in part, at any time, at the option of the issuer.
- (2) These long-term debt agreements contain various restrictive covenants.
- (3) The amounts shown are allocations to Tampa Electric and PGS of TEC Notes.

The accompanying notes are an integral part of the consolidated financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Statements of Capitalization—continued**

At December 31, 2021, long-term debt had a carrying amount of \$3,386 million and an estimated fair market value of \$4,036 million. At December 31, 2020, total long-term debt had a carrying amount of \$2,872 million and an estimated fair market value of \$3,597 million. The fair value of the debt securities is determined using Level 2 measurements (see **Note 14** for information regarding the fair value hierarchy).

A substantial part of Tampa Electric's tangible assets is pledged as collateral to secure its first mortgage bonds. There are currently no bonds outstanding under Tampa Electric's first mortgage bond indenture, and Tampa Electric could cause the lien associated with this indenture to be released at any time. Gross maturities and annual sinking fund requirements of long-term debt are as follows:

**Long-Term Debt Maturities**

<i>As of December 31, 2021</i> <i>(millions)</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2026</i>	<i>Thereafter</i>	<i>Total Long-Term Debt</i>
Tampa Electric	\$ 225	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,680	\$ 2,905
PGS	25	0	0	0	0	495	520
Total long-term debt maturities	<u>\$ 250</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,175</u>	<u>\$ 3,425</u>

The accompanying notes are an integral part of the consolidated financial statements.

**TAMPA ELECTRIC COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Significant Accounting Policies**

**Description of the Business**

TEC has two operating segments. Its Tampa Electric division provides retail electric services in West Central Florida, and PGS, its natural gas division, is engaged in the purchase, distribution and sale of natural gas for residential, commercial, industrial and electric power generation customers in Florida. TEC's significant accounting policies are as follows:

**Principles of Consolidation and Basis of Presentation**

TEC maintains its accounts in accordance with recognized policies prescribed or permitted by the FPSC and the FERC. These policies conform with U.S. GAAP in all material respects. The use of estimates is inherent in the preparation of financial statements in accordance with U.S. GAAP. Actual results could differ from these estimates.

TEC is a wholly owned subsidiary of TECO Energy, Inc. and contains electric and natural gas divisions. Intercompany balances and transactions within the divisions have been eliminated in consolidation. TECO Energy is a wholly owned indirect subsidiary of Emera. Therefore, TEC is an indirect, wholly owned subsidiary of Emera.

Since 2020, the outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. While management considered the impact of the COVID-19 pandemic in TEC's estimates and results, the financial statements as of December 31, 2021 and 2020 and for the years then ended were not materially impacted by the COVID-19 pandemic.

**Cash Equivalents**

Cash equivalents are highly liquid, high-quality investments purchased with an original maturity of three months or less. The carrying amount of cash equivalents approximated fair market value because of the short maturity of these instruments.

**Property, Plant and Equipment**

Property, plant and equipment is stated at original cost, which includes labor, material, applicable taxes, overhead and AFUDC. Concurrent with a planned major maintenance outage or with new construction, the cost of adding or replacing retirement units-of-property is capitalized in conformity with the regulations of FERC and FPSC. The cost of maintenance, repairs and replacement of minor items of property is expensed as incurred.

As regulated utilities, Tampa Electric and PGS must file depreciation and dismantlement studies periodically and receive approval from the FPSC before implementing new depreciation rates. Included in approved depreciation rates is either an implicit net salvage factor or a cost of removal factor, expressed as a percentage. The net salvage factor is principally comprised of two components—a salvage factor and a cost of removal or dismantlement factor. TEC uses current cost of removal or dismantlement factors as part of the estimation method to approximate the amount of cost of removal in accumulated depreciation. The original cost of utility plant retired or otherwise disposed of and the cost of removal or dismantlement, less salvage value, is charged to accumulated depreciation and the accumulated cost of removal reserve reported as a regulatory liability, respectively.

For other property dispositions, the cost and accumulated depreciation are removed from the balance sheet and a gain or loss is recognized.

Property, plant and equipment consisted of the following assets:

(millions)	Estimated Useful Lives	December 31, 2021	December 31, 2020
Electric generation	21-56 years	\$ 5,395	\$ 5,694
Electric transmission	28-77 years	1,068	1,008
Electric distribution	14-56 years	3,064	2,859
Gas transmission and distribution	16-77 years	2,360	2,076
General plant and other	8-43 years	946	723
Total cost		12,833	12,360
Less accumulated depreciation		(3,601)	(3,712)
Construction work in progress		1,370	1,472
Total property, plant and equipment, net		<u>\$ 10,602</u>	<u>\$ 10,120</u>

## Depreciation

The provision for total regulated utility plant in service, expressed as a percentage of the original cost of depreciable property, was 3.5%, 3.2% and 3.4% for 2021, 2020 and 2019, respectively. Construction work in progress is not depreciated until the asset is placed in service. Total depreciation expense for the years ended December 31, 2021, 2020 and 2019 was \$408 million, \$381 million and \$359 million, respectively. See **Note 3** for information regarding agreements approved by the FPSC that, among other things, allowed Tampa Electric to continue to depreciate certain retired assets through December 31, 2021 and allowed Tampa Electric to eliminate its \$16 million accumulated depreciation and amortization reserve surplus for intangible software assets through a credit to amortization expense in 2020.

Tampa Electric and PGS compute depreciation and amortization using the following methods:

- the group remaining life method, approved by the FPSC, is applied to the average investment, adjusted for anticipated costs of removal less salvage, in functional classes of depreciable property;
- the amortizable life method, approved by the FPSC, is applied to the net book value to date over the remaining life of those assets not classified as depreciable property above.

## Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant which represents the cost of borrowed funds and a reasonable return on other funds used for construction. The rates used to calculate AFUDC are revised periodically to reflect significant changes in cost of capital. In 2021, 2020 and 2019, Tampa Electric's rate was 6.46%. PGS's rate used to calculate its AFUDC in 2021 and 2020 was 6.00% and 5.97%, respectively. Total AFUDC for the years ended December 31, 2021, 2020 and 2019 was \$66 million, \$44 million and \$16 million, respectively.

## Inventory

TEC values materials, supplies and fossil fuel inventory (natural gas, coal and oil) using a weighted-average cost method. These materials, supplies and fuel inventories are carried at the lower of weighted-average cost or net realizable value.

## Regulatory Assets and Liabilities

Tampa Electric and PGS are subject to accounting guidance for the effects of certain types of regulation (see **Note 3**).

## Deferred Income Taxes

TEC uses the asset and liability method in the measurement of deferred income taxes. Under the asset and liability method, the temporary differences between the financial statement and tax bases of assets and liabilities are reported as deferred taxes measured at enacted tax rates. Tampa Electric and PGS are regulated, and their books and records reflect approved regulatory treatment, including certain adjustments to accumulated deferred income taxes and the establishment of a corresponding regulatory tax liability reflecting the amount payable to customers through future rates. See **Note 4** for additional details.

### **Investment Tax Credits**

ITCs have been recorded as deferred credits and are being amortized as reductions to income tax expense over the service lives of the related property.

### **Stranded Tax Effects in Accumulated Other Comprehensive Income**

TEC utilizes a portfolio approach to determine the timing and extent to which stranded income tax effects from items that were previously recorded in accumulated other comprehensive income are released.

### **Revenue Recognition**

#### *Regulated electric revenue*

Electric revenues, including energy charges, demand charges, basic facilities charges and applicable clauses and riders, are recognized when obligations under the terms of a contract are satisfied. This occurs primarily when electricity is delivered to customers over time as the customer simultaneously receives and consumes the benefits of the electricity. Electric revenues are recognized on an accrual basis and include billed and unbilled revenues. Revenues related to the sale of electricity are recognized at rates approved by the respective regulator and recorded based on metered usage, which occur on a periodic, systematic basis, generally monthly. At the end of each reporting period, the electricity delivered to customers, but not billed, is estimated and the corresponding unbilled revenue is recognized. Tampa Electric's estimate of unbilled revenue at the end of the reporting period is calculated by estimating the number of MWH delivered to customers at the established rate expected to prevail in the upcoming billing cycle. This estimate includes assumptions as to the pattern of energy demand, timing of meter reads and line losses.

#### *Regulated gas revenue*

Gas revenues, including energy charges, demand charges, basic facilities charges and applicable clauses and riders, are recognized when obligations under the terms of a contract are satisfied. This occurs primarily when gas is delivered to customers over time as the customer simultaneously receives and consumes the benefits of the gas. Gas revenues are recognized on an accrual basis and include billed and unbilled revenues. Revenues related to the distribution and sale of gas are recognized at rates approved by the regulator and recorded based on metered usage, which occur on a periodic, systematic basis, generally monthly. At the end of each reporting period, the gas delivered to customers, but not billed, is estimated and the corresponding unbilled revenue is recognized. PGS's estimate of unbilled revenue at the end of the reporting period is calculated by estimating the number of therms delivered to customers at the established rate expected to prevail in the upcoming billing cycle. This estimate includes assumptions as to the pattern of usage, weather, and inter-period changes to customer classes.

#### *Other*

See Accounting for Franchise Fees and Gross Receipts below for the accounting for gross receipts taxes. Sales and other taxes TEC collects concurrent with revenue-producing activities are excluded from revenue.

### **Revenues and Cost Recovery**

Revenues include amounts resulting from cost-recovery clauses which provide for monthly billing charges to reflect increases or decreases in fuel, purchased power, conservation, environmental and storm protection plan costs for Tampa Electric and purchased gas, interstate pipeline capacity, replacement of cast iron/bare steel pipe and conservation costs for PGS. These adjustment factors are based on costs incurred and projected for a specific recovery period. Any over- or under-recovery of costs plus an interest factor are taken into account in the process of setting adjustment factors for subsequent recovery periods. Over-recoveries of costs are recorded as regulatory liabilities, and under-recoveries of costs are recorded as regulatory assets.

Certain other costs incurred by the regulated utilities are allowed to be recovered from customers through prices approved in the regulatory process. These costs are recognized as the associated revenues are recognized.

### **Receivables and Allowance for Credit Losses**

Receivables from contracts with customers, which consist of services to residential, commercial, industrial and other customers, were \$252 million and \$214 million as of December 31, 2021 and 2020, respectively. An allowance for credit losses is established based on TEC's collection experience and reasonable and supportable forecasts that affect the collectibility of the reported amount. Circumstances that impact Tampa Electric's and PGS's estimates of credit losses include, but are not limited to, customer credit issues, fuel prices, customer deposits and general economic conditions, including the impacts of the COVID-19 pandemic. Accounts are reserved in the allowance or written off once they are deemed to be uncollectible.

The regulated utilities accrue base revenues for services rendered but unbilled to provide for matching of revenues and expenses (see **Note 3**). As of December 31, 2021 and 2020, unbilled revenues of \$74 million and \$73 million, respectively, are included in the “Receivables” line item on TEC’s Consolidated Balance Sheets.

#### **Accounting for Franchise Fees and Gross Receipts Taxes**

Tampa Electric and PGS are allowed to recover certain costs incurred on a dollar-for-dollar basis from customers through rates approved by the FPSC. The amounts included in customers’ bills for franchise fees and gross receipt taxes are included as revenues on the Consolidated Statements of Income. Franchise fees and gross receipt taxes payable by Tampa Electric and PGS are included as an expense on the Consolidated Statements of Income in “Taxes, other than income”. These amounts totaled \$129 million, \$109 million and \$117 million for the years ended December 31, 2021, 2020 and 2019, respectively.

#### **Deferred Charges and Other Assets**

Deferred charges and other assets consist primarily of pension assets net of accrued pension liabilities (see **Note 5**), right-of-use assets related to operating leases (see **Note 13**) and a contribution made by TEC in order to fully fund its SERP obligation (see **Note 5**).

#### **Deferred Credits and Other Liabilities**

Other deferred credits primarily include accrued other postretirement benefits (see **Note 5**), MGP environmental remediation liability (see **Note 8**), asset retirement obligations (see **Note 12**), lease liabilities (see **Note 13**) and a reserve for auto, general and workers’ compensation liability claims.

TECO Energy and its subsidiaries, including TEC, have a self-insurance program supplemented by excess insurance coverage for the cost of claims whose ultimate value exceeds the company’s retention amounts. TEC estimates its liabilities for auto, general and workers’ compensation using discount rates mandated by statute or otherwise deemed appropriate for the circumstances. Discount rates used in estimating these other self-insurance liabilities at December 31, 2021 and 2020 ranged from 1.63% to 4.00% and 2.43% to 4.00%, respectively.

#### **Derivatives and Hedging Activities**

On November 6, 2017, the FPSC approved an amended and restated settlement agreement filed by Tampa Electric, which included a provision for a moratorium on hedging of natural gas purchases ending on December 31, 2022. On October 21, 2021, the FPSC approved a settlement agreement filed by Tampa Electric related to its 2021 rate case that extended the moratorium to December 31, 2024 (see **Note 3** for further information on the settlement agreements). TEC was hedging its exposure to the variability in future cash flows until November 30, 2018 for financial natural gas contracts. TEC had zero derivative liabilities related to natural gas storage optimization as of December 31, 2021 and 2020 and zero derivative assets on its Consolidated Balance Sheets as of December 31, 2021 and 2020.

TEC’s physical contracts qualify for the NPNS exception to derivative accounting rules, provided they meet certain criteria. Generally, NPNS applies if TEC deems the counterparty creditworthy, if the counterparty owns or controls resources within the proximity to allow for physical delivery of the commodity, if TEC intends to receive physical delivery and if the transaction is reasonable in relation to TEC’s business needs. As of December 31, 2021 and 2020, all of TEC’s physical contracts qualified for the NPNS exception, which was elected.

TEC classifies cash inflows and outflows related to derivative and hedging instruments in the appropriate cash flow sections associated with the item being hedged. For natural gas, the cash inflows and outflows are included in the operating section of the Consolidated Statements of Cash Flows. For interest rate swaps that settle coincident with the debt issuance, the cash inflows and outflows are treated as premiums or discounts and included in the financing section of the Consolidated Statements of Cash Flows.



## **2. New Accounting Pronouncements**

TEC considers the applicability and impact of all ASUs issued by the FASB. TEC was not required to and did not adopt any new ASUs in 2021.

## **3. Regulatory**

Tampa Electric's retail business and PGS are regulated separately by the FPSC. Tampa Electric is also subject to regulation by the FERC in various respects, including wholesale power sales, certain wholesale power purchases, transmission and ancillary services and accounting practices. The FPSC sets rates based on a cost of service methodology which allows utilities to collect total revenues (revenue requirements) equal to their prudently incurred cost of providing service or products, plus a reasonable return on equity invested or assets. As a result, Tampa Electric and PGS qualify for the application of accounting guidance for certain types of regulation. This guidance recognizes that the actions of a regulator can provide reasonable assurance of the existence of an asset or liability. Regulatory assets and liabilities arise as a result of a difference between U.S. GAAP and the accounting principles imposed by the regulatory authorities. Regulatory assets generally represent incurred costs that have been deferred, as their future recovery in customer rates is probable. Regulatory liabilities generally represent obligations to make refunds to customers from previous collections for costs that are not likely to be incurred. In addition to regulatory assets and regulatory liabilities, rate regulation impacts other financial statement balances and activity, including, but not limited to, property, plant, and equipment, revenues, and expenses.

### **Tampa Electric Base Rates**

Tampa Electric's results for 2021, 2020 and 2019 reflected an amended and restated settlement agreement, approved by the FPSC on November 6, 2017, that replaced the previous 2013 base rate settlement agreement and extended it another four years through 2021. The agreement provided for Tampa Electric's allowed regulatory ROE to be a mid-point of 10.25% with a range of plus or minus 1%. The agreement stated that Tampa Electric could not file for additional base rate increases to be effective sooner than December 31, 2021, unless its earned ROE were to fall below 9.25% before that time. If its earned ROE were to rise above 11.25%, any party to the agreement other than Tampa Electric could seek a review of its base rates. Under the agreement, the allowed equity in the capital structure was 54% from investor sources of capital. The amended agreement provided for SoBRAs for Tampa Electric's substantial investments in solar generation. Tampa Electric invested approximately \$850 million in these solar projects during 2017 to 2021 and accrued AFUDC during construction. The agreement included a sharing provision that allowed customers to benefit from 75% of any cost savings for projects below \$1,500/kWac.

Between 2017 and 2021, TEC filed annual SoBRA petitions along with supporting tariffs demonstrating the cost-effectiveness of four tranches representing 600 MW and \$104 million in estimated revenue requirements. The FPSC approved the tariffs on each of the SoBRA filings and Tampa Electric began receiving the applicable revenues after each of the tranches was commercially completed (tranche 1 for \$24 million in revenue starting September 2018, tranche 2 for \$46 million in revenue starting January 2019, tranche 3 for \$26 million in revenue starting January 2020 and tranche 4 for \$8 million in revenue starting January 2021).

The true-up filing for SoBRA tranche 1 and 2 revenue requirement estimates that were included in base rates as of September 2018 and January 2019, respectively, was submitted on April 30, 2020, and the FPSC approved the amount on August 18, 2020. The \$5 million true-up was returned to customers in 2020. The true-up filing for SoBRA tranche 3, included in base rates as of January 2020, was approved by the FPSC on October 12, 2021. A \$4 million true-up was returned to customers during 2021. The true-up for SoBRA tranche 4 will be filed in early 2022.

The 2017 settlement agreement further contained a provision related to tax reform. An asset optimization provision that allows Tampa Electric to share in the savings for optimization of its system once certain thresholds are achieved is also included. Additionally, Tampa Electric agreed to a financial hedging moratorium for natural gas ending on December 31, 2022 and that it will make no investments in gas reserves.

On November 13, 2019, as required by the 2017 settlement agreement, Tampa Electric filed its petition to reduce base rates and charges to reflect the impact of the temporary reduction of the state corporate income tax from 5.5% to 4.5%. The tax rate reduction was issued on September 12, 2019 and was effective retroactive from January 1, 2019 through December 31, 2021. The estimated base rate reduction due to customers of \$5 million is subject to true-up, and the actual rate reduction may vary from year to year. The base rate reduction was approved on December 10, 2019 for rates effective January 2020.

On August 6, 2021, Tampa Electric filed with the FPSC a joint motion for approval of a settlement agreement dated as of August 6, 2021 (the Settlement Agreement) by and among Tampa Electric and the intervenors in Tampa Electric's rate case filed with the FPSC in April 2021. The Settlement Agreement agrees to an increase in base rates annually effective with January 2022 bills, to generate a \$191 million increase in revenue consisting of \$123 million of traditional base rate charges and \$68 million in a new charge to recover the costs of retiring assets. The Settlement Agreement further includes two subsequent year adjustments of \$90 million and \$21 million, effective January 2023 and January 2024, respectively. Under the agreement, the allowed equity in the capital structure will continue to be 54% from investor sources of capital. The Settlement Agreement includes an allowed regulatory ROE range of

9.0% to 11.0% with a 9.95% midpoint. The Settlement Agreement allows a 25 basis point increase in the allowed ROE range and midpoint, and \$10 million of additional revenue, if the average 30-year United States Treasury Bond yield rate for any period of six consecutive months is at least 50 basis points greater than the yield rate on the date the FPSC votes to approve the agreement. Under the agreement, base rates will not change from January 1, 2022 through December 31, 2024, unless Tampa Electric's earned ROE were to fall below the bottom of the range during that time. The Settlement Agreement contains a provision whereby Tampa Electric agrees to quantify the future impact of a decrease or increase in corporate income tax rates on net operating income through a reduction or increase in base revenues within 180 days of when such tax change becomes law or its effective date. The Settlement Agreement further creates a mechanism to recover the costs of retiring coal generation units and meter assets over a period of 15 years which survives the term of that agreement. The Settlement Agreement sets new depreciation and dismantlement rates effective January 1, 2022 and contains the provisions that Tampa Electric will not have to file another depreciation study during the term of the agreement but will file a new depreciation study no more than one year, nor less than 90 days, before the filing of its next general base rate proceeding. Additionally, Tampa Electric agreed to a financial hedging moratorium for natural gas ending on December 31, 2024. On October 21, 2021, the FPSC approved the Settlement Agreement and the final order, reflecting such approval, was issued on November 10, 2021.

### **Tampa Electric Big Bend Modernization Project**

Tampa Electric expects to invest approximately \$850 million during 2018 through 2023 to modernize the Big Bend Power Station, of which approximately \$695 million has been invested through December 31, 2021. The Big Bend modernization project will repower Big Bend Unit 1 with natural gas combined-cycle technology and eliminate coal as this unit's fuel. As part of the Big Bend modernization project, Tampa Electric retired the Unit 1 components that will not be used in the modernized plant in 2020 and Big Bend Unit 2 in 2021. Tampa Electric plans to retire Big Bend Unit 3 in 2023 as it is in the best interest of customers from economic, environmental risk and operational perspectives.

At December 31, 2020, Tampa Electric's balance sheet included \$636 million in electric utility plant and \$267 million in accumulated depreciation related to Unit 1 components and Unit 2 and Unit 3 assets. In accordance with Tampa Electric's 2017 settlement agreement approved by the FPSC, Tampa Electric continued to account for its investment in Units 1, 2 and 3 in electric utility plant and depreciate the assets using the current depreciation rates until December 31, 2021, at which point they were reclassified to a regulatory asset on the balance sheet.

Tampa Electric's Settlement Agreement provides recovery for the Big Bend modernization project in two phases. The first phase is a revenue increase to cover the costs of the assets in service during 2022, among other items. The remainder of the project costs will be recovered as part of the 2023 subsequent year adjustment. The Settlement Agreement also includes a new charge to recover the remaining costs of the retiring Big Bend coal generation assets, Units 1 through 3, which will be spread over 15 years and will survive the term of the Settlement Agreement. The special capital recovery schedule for all three units was applied beginning January 1, 2022.

### **Tampa Electric Mid-Course Adjustment to Fuel Recovery**

In July 2021, Tampa Electric requested a mid-course adjustment to its fuel and capacity charges, effective with September 2021 customer bills, due to an increase in fuel commodity and capacity costs in 2021. On August 3, 2021, the FPSC approved the request to recover \$83 million of additional costs during the months of September through December 2021.

In January 2022, Tampa Electric requested a mid-course adjustment to its fuel and capacity charges to recover an additional \$169 million, effective with April 2022 customer bills, due to an increase in fuel commodity and capacity costs. The FPSC is expected to issue its decision in March 2022.

### **Tampa Electric Storm Protection Cost Recovery Clause and Settlement Agreement**

On October 3, 2019, the FPSC issued a rule to implement a Storm Protection Plan (SPP) Cost Recovery Clause. This clause provides a process for Florida investor-owned utilities, including Tampa Electric, to recover transmission and distribution storm hardening costs for incremental activities not already included in base rates. Tampa Electric submitted its storm protection plan with the FPSC on April 10, 2020. On April 27, 2020, Tampa Electric submitted a settlement agreement with the FPSC which specified a \$15 million base rate reduction for SPP program costs previously recovered in base rates beginning January 1, 2021. On June 9, 2020, the FPSC approved this settlement agreement. On August 3, 2020, Tampa Electric submitted another settlement agreement to the FPSC for approval, including cost recovery of approximately \$39 million in proposed storm protection project costs for 2020 and 2021. This cost recovery includes the \$15 million of costs removed from base rates. This settlement agreement was approved on August 10, 2020 and Tampa Electric's cost recovery began in January 2021. The current approved plan will apply for the years 2020, 2021 and 2022, and Tampa Electric will file a new plan in April 2022 to determine cost recovery in 2023, 2024, and 2025.

The June 9, 2020 settlement agreement approved by the FPSC disclosed above also included approval of Tampa Electric's petition to eliminate its \$16 million accumulated amortization reserve surplus for intangible software assets through a credit to depreciation and amortization expense in 2020.

### **Tampa Electric Storm Restoration Cost Recovery**

As a result of Tampa Electric's 2013 rate case settlement, in the event of a named storm that results in damage to its system, Tampa Electric can petition the FPSC to seek recovery of those costs over a 12-month period or longer as determined by the FPSC, as well as replenish its reserve to \$56 million, the level of the reserve as of October 31, 2013. This provision was also included in Tampa Electric's subsequent 2017 amended and restated settlement agreement and in Tampa Electric's 2021 rate case settlement agreement.

In the third quarter of 2017, Tampa Electric was impacted by Hurricane Irma and incurred storm restoration costs of approximately \$102 million, of which \$90 million was charged to the storm reserve, \$3 million was charged to O&M expense and \$9 million was charged to capital expenditures. Tampa Electric petitioned the FPSC on December 28, 2017 for recovery of estimated Hurricane Irma storm costs plus approximately \$10 million in restoration costs from prior named storms and to replenish the balance in the reserve to the \$56 million level that existed as of October 31, 2013.

On April 9, 2019, Tampa Electric reached a settlement agreement with consumer parties regarding eligible storm costs, which was approved by the FPSC on May 21, 2019. As a result, Tampa Electric refunded \$12 million to customers in January 2020, resulting in minimal impact to the Consolidated Statements of Income.

In 2021, 2020 and 2019, Tampa Electric incurred total storm restoration preparation costs for multiple hurricanes of approximately \$10 million, which was charged to the storm reserve regulatory liability.

### **PGS Base Rates**

PGS's base rates for 2021 were established in 2020, and its base rates for 2020 and 2019 were originally established in May 2009.

On February 7, 2017, the FPSC approved a settlement agreement filed by PGS and the OPC in which PGS agreed to adopt new depreciation rates, accelerate the amortization of the regulatory asset associated with environmental remediation costs as described below, include obsolete plastic pipe replacements through the existing cast iron and bare steel replacement rider, and establish an ROE range of 9.25% to 11.75%. The settlement agreement provided that the bottom of the range would remain until the earlier of new base rates established in PGS's next general base rate proceeding or December 31, 2020 and the ROE of 10.75% would continue to be used for the calculation of return on investment for clauses and riders. The allowed equity in its capital structure was 54.7% from all investor sources of capital.

As part of the 2017 settlement, PGS and the OPC agreed that at least \$32 million of PGS's regulatory asset associated with the environmental liability for current and future remediation costs related to former MGP sites, to the extent expenses are reasonably and prudently incurred, would be amortized over the period 2016 through 2020. In 2018, the FPSC approved a settlement agreement authorizing PGS to accelerate in 2018 the remaining amortization of PGS's regulatory asset associated with the MGP environmental liability of \$11 million to net it against the estimated 2018 tax reform benefits. In January 2019, PGS reduced its base rates by \$12 million for the impact of tax reform and reduced depreciation rates by \$10 million in accordance with the settlement agreement.

On June 8, 2020, PGS filed a petition for an increase in rates and service charges effective January 2021. On November 19, 2020, the FPSC approved a settlement agreement filed by PGS and OPC. The settlement agreement provides for an increase in base rates by \$58 million annually effective January 2021, which is a \$34 million increase in revenue and \$24 million increase of revenues previously recovered through the cast iron and bare steel replacement rider. This settlement agreement includes an allowed regulatory ROE range of 8.90% to 11.00% with a 9.90% midpoint, including the ability to reverse a total of \$34 million of accumulated depreciation through 2023. PGS has not reversed any of this accumulated depreciation to date. In addition, the agreement sets new depreciation rates effective January 1, 2021 that are consistent with PGS's current overall average depreciation rate. Under the agreement, base rates are frozen from January 1, 2021 to December 31, 2023, unless its earned ROE were to fall below 8.90% before that time with an allowed equity in the capital structure of 54.7% from investor sources of capital. The settlement agreement further addresses tax rate changes. The agreement contains a provision whereby PGS agrees to quantify the future impact of a decrease in tax rates on net operating income through a reduction in base revenues within 120 days of when such tax change becomes law. If on the contrary, tax legislation results in a tax rate increase, PGS can establish a regulatory asset to neutralize the impact of the increase in income tax rate to be addressed in a future proceeding and with recovery beginning no sooner than January 2024.

## Regulatory Assets and Liabilities

Details of the regulatory assets and liabilities are presented in the following table:

### Regulatory Assets and Liabilities

(millions)	December 31, 2021	December 31, 2020
<b>Regulatory assets:</b>		
Regulatory tax asset <sup>(1)</sup>	\$ 117	\$ 90
Cost-recovery clauses <sup>(2)</sup>	89	38
Capital cost recovery for early retired assets <sup>(3)</sup>	518	0
Environmental remediation <sup>(4)</sup>	22	22
Postretirement benefits <sup>(5)</sup>	230	309
Asset retirement obligation <sup>(6)</sup>	11	13
Other	15	13
Total regulatory assets	1,002	485
Less: Current portion	136	79
Long-term regulatory assets	<u>\$ 866</u>	<u>\$ 406</u>
<b>Regulatory liabilities:</b>		
Regulatory tax liability <sup>(7)</sup>	\$ 638	\$ 691
Cost-recovery clauses - deferred balances <sup>(2)</sup>	16	23
Accumulated reserve—cost of removal <sup>(8)</sup>	468	498
Storm reserve <sup>(9)</sup>	46	48
Other	2	1
Total regulatory liabilities	1,170	1,261
Less: Current portion	78	67
Long-term regulatory liabilities	<u>\$ 1,092</u>	<u>\$ 1,194</u>

- (1) The regulatory tax asset is primarily associated with the depreciation and recovery of AFUDC-equity. This asset does not earn a return but rather is included in the capital structure, which is used in the calculation of the weighted cost of capital used to determine revenue requirements. It will be recovered over the expected life of the related assets. The regulatory tax asset balance reflects the impact of the federal corporate income tax rate reduction.
- (2) These assets and liabilities are related to FPSC clauses and riders. They are recovered or refunded through cost-recovery mechanisms approved by the FPSC on a dollar-for-dollar basis in a subsequent period.
- (3) This regulatory asset is related to the remaining net book value of Big Bend Units 1 through 3 and smart meter assets that were retired. The balance earns a rate of return as permitted by the FPSC and will be recovered as a separate line item on customer bills for a period of 15 years. See “Tampa Electric Big Bend Modernization Project” above for further information.
- (4) This asset is related to costs associated with environmental remediation primarily at MGP sites. The balance is included in rate base, partially offsetting the related liability, and earns a rate of return as permitted by the FPSC. The timing of recovery is based on a settlement agreement approved by the FPSC.
- (5) This asset is related to the deferred costs of postretirement benefits and it is amortized over the remaining service life of plan participants. Deferred costs of postretirement benefits that are included in expense are recognized as cost of service for rate-making purposes as permitted by the FPSC.
- (6) This asset is related to costs associated with an asset retirement obligation, which is a legal obligation for the future retirement of certain tangible, long-lived assets. This regulatory asset does not earn a return because it is offset with related assets and liabilities within rate base. It is recovered and removed as the obligation is settled and removed as the activities for the retirement of the related assets have been completed.
- (7) The regulatory tax liability is primarily related to the revaluation of TEC’s deferred income tax balances recorded on December 31, 2017 at the lower corporate income tax rate due to U.S. tax reform. The liability related to the revaluation of the deferred income tax balances is amortized and returned to customers through rate reductions or other revenue offsets based on IRS regulations and the settlement agreement for tax reform benefits approved by the FPSC.
- (8) This item represents the non-ARO cost of removal in the accumulated reserve for depreciation. AROs are costs for legally required removal of property, plant and equipment. Non-ARO cost of removal represents estimated funds received from customers through depreciation rates to cover future non-legally required cost of removal of property, plant and equipment, net of salvage value upon retirement, which reduces rate base for ratemaking purposes. This liability is reduced as costs of removal are incurred.
- (9) See “Tampa Electric Storm Restoration Cost Recovery” discussion above for information regarding this reserve.

#### 4. Income Taxes

##### CARES Act

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The CARES Act includes several business provisions including deferral in employer payroll taxes and an employee retention payroll tax credit. On December 27, 2020, the Consolidated Appropriations Act, 2021 (the 2021 Act) was signed into law. The 2021 Act provides for modifications and expansion of the employee retention payroll tax credit enacted under the CARES Act. The 2021 Act also extends the solar ITC for two years. These laws did not have a material impact on TEC's financial statements.

##### Employee Retention Payroll Tax Credit

On March 11, 2021, the American Rescue Plan Act of 2021 was signed into law. This law included an extension of the employee retention payroll tax credit through December 31, 2021. On November 15, 2021, the Infrastructure Investment and Jobs Act, which provides for termination of the employee retention payroll tax credit as of September 30, 2021, was signed into law. These laws did not have a material impact on TEC's financial statements.

##### Change in Florida Corporate Income Tax Rate

On September 14, 2021, the state of Florida issued a corporate tax rate reduction from 4.46% to 3.53% effective January 1, 2021 through December 31, 2021. In 2021, TEC recorded a \$4 million regulatory liability in recognition of its obligation to pass the tax rate reduction expense benefit to customers per the 2017 settlement agreement.

##### Income Tax Expense

TEC is included in a consolidated U.S. federal income tax return with EUSHI and its subsidiaries. TEC's income tax expense is based upon a separate return method, modified for the benefits-for-loss allocation in accordance with respective tax sharing agreements of TECO Energy and EUSHI. To the extent that TEC's cash tax positions are settled differently than the amount reported as realized under the tax sharing agreement, the difference is accounted for as either a capital contribution or a distribution.

In 2021, 2020 and 2019, TEC recorded net tax provisions of \$80 million, \$82 million and \$77 million, respectively.

Income tax expense consists of the following components:

##### Income Tax Expense (Benefit)

<i>(millions)</i>				
<i>For the year ended December 31,</i>				
	2021	2020	2019	
Current income taxes				
Federal	\$ 48	\$ 35	\$ 56	
State	4	(7)	6	
Deferred income taxes				
Federal	24	32	7	
State	13	29	13	
Investment tax credits amortization	(9)	(7)	(5)	
Total income tax expense	<u>\$ 80</u>	<u>\$ 82</u>	<u>\$ 77</u>	

For the three years presented, the overall effective tax rate differs from the U.S. federal statutory rate as presented below:

### Effective Income Tax Rate

(millions)

For the year ended December 31,

	2021	2020	2019
Income before provision for income taxes	\$ 526	\$ 506	\$ 447
Federal statutory income tax rates	21%	21%	21%
Income taxes, at statutory income tax rate	110	106	94
Increase (decrease) due to			
State income tax, net of federal income tax	13	17	15
Excess deferred tax amortization	(26)	(26)	(25)
ITC amortization	(9)	(7)	(5)
AFUDC-equity	(9)	(6)	(2)
Tax credits	(3)	(8)	(1)
Other	4	6	1
Total income tax expense on consolidated statements of income	\$ 80	\$ 82	\$ 77
Income tax expense as a percent of income before income taxes	15.2%	16.2%	17.2%

### Deferred Income Taxes

Deferred taxes result from temporary differences in the recognition of certain liabilities or assets for tax and financial reporting purposes. The principal components of TEC's deferred tax assets and liabilities recognized in the balance sheet are as follows:

(millions)

As of December 31,

	2021	2020
Deferred tax liabilities <sup>(1)</sup>		
Property related	\$ 1,210	\$ 1,121
Pension and postretirement benefits	98	116
Total deferred tax liabilities	1,308	1,237
Deferred tax assets <sup>(1)</sup>		
Loss and credit carryforwards <sup>(2)</sup>	340	301
Medical benefits	26	27
Insurance reserves	15	16
Pension and postretirement benefits	46	66
Capitalized energy conservation assistance costs	20	18
Other	3	26
Total deferred tax assets	450	454
Total deferred tax liability, net	\$ 858	\$ 783

(1) Certain property related assets and liabilities have been netted.

(2) Deferred tax assets for net operating loss and tax credit carryforwards have been reduced by unrecognized tax benefits of \$6 million and \$9 million at December 31, 2021 and 2020, respectively.

At December 31, 2021, TEC had cumulative unused federal and Florida NOLs for income tax purposes of \$312 million and \$83 million, respectively, expiring between 2032 and 2037. TEC has unused general business credits of \$286 million expiring between 2027 and 2041, of which \$264 million relate to ITCs expiring between 2034 and 2041. As a result of TECO Energy's merger with Emera in 2016, TECs NOLs and credits will be utilized by EUSHI, in accordance with the benefits-for-loss allocation which provide that tax attributes are utilized by the consolidated tax return group of EUSHI.

### Unrecognized Tax Benefits

TEC accounts for uncertain tax positions as required by U.S. GAAP. This guidance addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Authoritative guidance related to accounting for uncertainty in income taxes requires an enterprise to recognize in its financial statements the best estimate of the impact of a tax position by determining if the weight of the available evidence indicates that it is more likely than not, based solely on the technical merits, that the position will be sustained upon examination, including resolution of any related appeals and litigation processes.

The following table provides details of the change in unrecognized tax benefits as follows:

(millions)	2021	2020	2019
Balance at January 1,	\$ 9	\$ 9	\$ 8
Decreases due to tax positions related to prior year	0	(2)	0
Increases due to tax positions related to prior year	1	1	1
Increases due to tax positions related to current year	1	1	0
Decreases due to settlements with tax authorities	(5)	0	0
Balance at December 31,	<u>\$ 6</u>	<u>\$ 9</u>	<u>\$ 9</u>

As of December 31, 2021 and 2020, TEC's uncertain tax positions for federal R&D tax credits were \$6 million and \$9 million, respectively, all of which was recorded as a reduction of deferred income tax assets for tax credit carryforwards. TEC's unrecognized federal tax benefits decreased in 2021 and 2020 by approximately \$5 million and \$2 million, respectively, due to the resolution of its 2016 federal tax credits issue with IRS Appeals. The recognition of the 2020 tax benefits decreased the effective tax rate resulting in an income tax benefit of approximately \$2 million in 2020. The settlement of the federal R&D credits audit did not impact the effective tax rate during 2021. TEC had \$6 million and \$9 million of unrecognized tax benefits at December 31, 2021 and 2020, respectively, that, if recognized, would reduce TEC's effective tax rate.

TEC recognizes interest accruals related to uncertain tax positions in "Other income" or "Interest expense", as applicable, and penalties in "Operation and maintenance expense" in the Consolidated Statements of Income. In 2021, 2020 and 2019, TEC did not recognize any pre-tax charges (benefits) for interest. Additionally, TEC did not have any accrued interest or amounts recorded for penalties at December 31, 2021, 2020 and 2019.

The IRS concluded the Compliance Assurance Program (CAP) audit for the short tax year ending June 30, 2016 and the EUSHI 2016 federal consolidated tax return, which includes TEC's short tax year ending December 31, 2016. The U.S. federal statute of limitations remains open for the year 2017 and forward. Florida's statute of limitations is three years from the filing of an income tax return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. Years still open to examination by Florida's tax authorities include 2005 and forward as a result of TECO Energy's consolidated Florida net operating loss still being utilized.

## **5. Employee Postretirement Benefits**

### **Pension Benefits**

TEC is a participant in the comprehensive retirement plans of TECO Energy, including a qualified, non-contributory defined benefit retirement plan that covers substantially all employees. Benefits are based on the employees' age, years of service and final average earnings. Where appropriate and reasonably determinable, the portion of expenses, income, gains or losses allocable to TEC are presented. Otherwise, such amounts presented reflect the amount allocable to all participants of the TECO Energy retirement plans.

Amounts disclosed for pension benefits in the following tables and discussion also include the fully-funded obligations for the SERP and the unfunded obligations of the Restoration Plan. The SERP is a non-qualified, non-contributory defined benefit retirement plan available to certain members of senior management. The Restoration Plan is a non-qualified, non-contributory defined benefit retirement plan that allows certain members of senior management to receive contributions as if no IRS limits were in place.

Effective October 21, 2019, the defined benefit retirement plan was amended to freeze further crediting of service and earnings for certain participants covered by the International Brotherhood of Electrical Workers (the IBEW) collective bargaining agreement. As of December 31, 2019, 24% of TEC's employees were represented by the IBEW. As a result, a curtailment and a remeasurement of the plan occurred in the fourth quarter of 2019. See curtailment-related line items in tables below.

As the result of the reorganization of shared services functions, certain employees and their associated pension benefits were transferred from TSI to TEC effective December 2019. Deferred costs related to pension benefits that were recognized by TSI in AOCI are now recognized in TEC as regulatory assets. The balances at December 31, 2021, 2020 and 2019 are reflective of this transfer.

### **Other Postretirement Benefits**

TECO Energy and its subsidiaries currently provide certain postretirement health care and life insurance benefits (other benefits) for most employees retiring after age 50 meeting certain service requirements. Where appropriate and reasonably determinable, the portion of expenses, income, gains or losses allocable to TEC are presented. Otherwise, such amounts presented reflect the amount allocable to all participants of the TECO Energy postretirement health care and life insurance plans. Postretirement benefit levels are substantially unrelated to salary. TECO Energy reserves the right to terminate or modify the plans in whole or in part at any time.

As the result of a reorganization of shared services functions, certain employees and their associated other postretirement benefits were transferred from TSI to TEC effective December 2019. Deferred costs related to other postretirement benefits that were

recognized by TSI in AOCI are now recognized in TEC as regulatory assets. The balances at December 31, 2021 and 2020 are reflective of this transfer.

### Obligations and Funded Status

TEC recognizes in its statement of financial position the over-funded or under-funded status of its allocated portion of TECO Energy's postretirement benefit plans. This status is measured as the difference between the fair value of plan assets and the PBO in the case of its defined benefit plan, or the APBO in the case of its other postretirement benefit plan. Changes in the funded status are reflected, net of estimated tax benefits, in benefit liabilities and regulatory assets. The results of operations are not impacted.

The following table provides a detail of the change in TECO Energy's benefit obligations and change in plan assets for combined pension plans (pension benefits) and TECO Energy's Florida-based other postretirement benefit plan (other benefits).

TECO Energy Obligations and Funded Status (millions)	Pension Benefits		Other Benefits <sup>(2)</sup>	
	2021	2020	2021	2020
<b>Change in benefit obligation</b>				
Benefit obligation at beginning of year	\$ 919	\$ 843	\$ 212	\$ 180
Service cost	19	20	2	2
Interest cost	21	26	5	6
Plan participants' contributions	0	0	4	4
Benefits paid	(77)	(54)	(17)	(17)
Actuarial (gain) loss	(32)	84	(6)	37
Benefit obligation at end of year	<u>\$ 850</u>	<u>\$ 919</u>	<u>\$ 200</u>	<u>\$ 212</u>
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	\$ 903	\$ 796	\$ 0	\$ 0
Actual return on plan assets	76	142	0	0
Employer contributions	21	19	0	0
Employer direct benefit payments	1	1	13	13
Plan participants' contributions	0	0	4	4
Benefits paid	(76)	(54)	0	0
Direct benefit payments	(1)	(1)	(17)	(17)
Fair value of plan assets at end of year <sup>(1)</sup>	<u>\$ 924</u>	<u>\$ 903</u>	<u>\$ 0</u>	<u>\$ 0</u>

- (1) The MRV of plan assets is used as the basis for calculating the EROA component of periodic pension expense. MRV reflects the fair value of plan assets adjusted for experience gains and losses (i.e. the differences between actual investment returns and expected returns) spread over five years.
- (2) Represent amounts for TECO Energy's Florida-based other postretirement benefit plan.

Decreases in the benefit obligation for the period ended December 31, 2021 are the result of increases in the discount rate used to calculate the benefit obligation, incorporation of new census data as of January 1, 2021 and the updating of the retirement rate as the result of an experience study performed during the year.

At December 31, the aggregate financial position for TECO Energy pension plans and Florida-based other postretirement plans with projected benefit obligations and accumulated projected benefit obligations in excess of plan assets was as follows:

TECO Energy Funded Status (millions)	Pension Benefits		Other Benefits <sup>(1)</sup>	
	2021	2020	2021	2020
Benefit obligation (PBO/APBO)	\$ 850	\$ 919	\$ 200	\$ 212
Less: Fair value of plan assets	924	903	0	0
Funded status at end of year	<u>\$ 74</u>	<u>\$ (16)</u>	<u>\$ (200)</u>	<u>\$ (212)</u>

- (1) Represent amounts for TECO Energy's Florida-based other postretirement benefit plan.



The accumulated benefit obligation for TECO Energy consolidated defined benefit pension plans was \$819 million at December 31, 2021 and \$876 million at December 31, 2020.

The amounts recognized in TEC's Consolidated Balance Sheets for pension and other postretirement benefit obligations and plan assets at December 31 were as follows:

TEC Amounts recognized in balance sheet (millions)	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Noncurrent assets	\$ 78	\$ 0	\$ 0	\$ 0
Accrued benefit costs and other current liabilities	(3)	(1)	(12)	(12)
Deferred credits and other liabilities	(12)	(15)	(175)	(186)
	<u>\$ 63</u>	<u>\$ (16)</u>	<u>\$ (187)</u>	<u>\$ (198)</u>

Unrecognized gains and losses and prior service credits and costs are recorded in regulatory assets for TEC. The following table provides a detail of the unrecognized gains and losses and prior service credits and costs.

TEC Amounts recognized in regulatory assets (millions)	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Net actuarial loss (gain)	\$ 150	\$ 221	\$ 79	\$ 88
Amount recognized	<u>\$ 150</u>	<u>\$ 221</u>	<u>\$ 79</u>	<u>\$ 88</u>

#### Assumptions used to determine benefit obligations at December 31:

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Discount rate	2.77%	2.37%	2.84%	2.47%
Rate of compensation increase	3.05%	3.07%	3.04%	3.07%
Healthcare cost trend rate				
Immediate rate	n/a	n/a	5.61%	5.74%
Ultimate rate	n/a	n/a	4.00%	4.50%
Year rate reaches ultimate trend rate	n/a	n/a	2045	2038

The discount rate assumption used to determine the December 31, 2021 and 2020 benefit obligation was based on a cash flow matching technique that matches yields from high-quality (AA-rated, non-callable) corporate bonds to TECO Energy's projected cash flows for the plans to develop a present value that is converted to a discount rate assumption.

#### Amounts recognized in Net Periodic Benefit Cost, OCI and Regulatory Assets

TECO Energy (millions)	Pension Benefits			Other Benefits <sup>(1)</sup>		
	2021	2020	2019	2021	2020	2019
Service cost	\$ 19	\$ 20	\$ 20	\$ 2	\$ 2	\$ 1
Interest cost	21	26	31	5	6	7
Expected return on plan assets	(52)	(50)	(51)	0	0	0
Amortization of:						
Actuarial loss	24	20	16	4	1	1
Prior service (benefit) cost	0	0	0	(2)	(3)	(2)
Settlement loss	0	0	1 <sup>(2)</sup>	0	0	0
Net periodic benefit cost	<u>\$ 12</u>	<u>\$ 16</u>	<u>\$ 17</u>	<u>\$ 9</u>	<u>\$ 6</u>	<u>\$ 7</u>

Net loss (gain) arising during the year (includes curtailment gain)	\$ (56)	\$ (8)	\$ (17)	\$ (5)	\$ 38	\$ 9
Amounts recognized as component of net periodic benefit cost:						
Amortization or curtailment recognition of prior service credit	0	0	0	2	2	2
Amortization or settlement of actuarial loss	(23)	(20)	(17)	(4)	(1)	(1)
Total recognized in OCI and regulatory assets	<u>\$ (79)</u>	<u>\$ (28)</u>	<u>\$ (34)</u>	<u>\$ (7)</u>	<u>\$ 39</u>	<u>\$ 10</u>
<b>Total recognized in net periodic benefit cost, OCI and regulatory assets</b>	<u>\$ (67)</u>	<u>\$ (12)</u>	<u>\$ (17)</u>	<u>\$ 2</u>	<u>\$ 45</u>	<u>\$ 17</u>

- (1) Represents amounts for TECO Energy's Florida-based other postretirement benefit plan  
(2) Represents TECO Energy's SERP and Restoration settlement charges as a result of the retirement of certain executives. These charges did impact TEC's financial statements.

TEC's portion of the net periodic benefit costs for pension benefits was \$10 million, \$12 million and \$12 million for 2021, 2020 and 2019, respectively. TEC's portion of the net periodic benefit costs for other benefits was \$11 million, \$7 million and \$7 million for 2021, 2020 and 2019, respectively. TEC's portion of net periodic benefit costs for pension and other benefits is included as an expense on the Consolidated Statements of Income in "Operations & maintenance".

**Assumptions used to determine net periodic benefit cost for years ended December 31:**

	Pension Benefits				Other Benefits		
	2021	2020	2019		2021	2020	2019
Discount rate	2.37%	3.21%	4.33%		2.47%	3.32%	4.38%
Expected long-term return on plan assets	6.70%	7.00%	7.35%/7.00%	(1)	n/a	n/a	n/a
Rate of compensation increase	3.08%	3.79%	3.75%		3.07%	3.79%	3.75%
Healthcare cost trend rate							
Initial rate	n/a	n/a	n/a		5.74%	6.03%	6.31%
Ultimate rate	n/a	n/a	n/a		4.50%	4.50%	4.50%
Year rate reaches ultimate trend rate	n/a	n/a	n/a		2038	2038	2038

- (1) The expected return on assets was 7.35% as of January 1, 2019 and 7.00% as of October 31, 2019 when a plan remeasurement occurred as a result of a plan curtailment.

The discount rate assumption used to determine the benefit cost for 2021, 2020 and 2019 was based on the same technique that was used to determine the December 31, 2021 and 2020 benefit obligation as discussed above.

The expected return on assets assumption was based on historical returns, fixed income spreads and equity premiums consistent with the portfolio and asset allocation. A change in asset allocations could have a significant impact on the expected return on assets. Additionally, expectations of long-term inflation, real growth in the economy and a provision for active management and expenses paid were incorporated in the assumption. For the year ended December 31, 2021, TECO Energy's pension plan's actual earned returns were approximately 9%.

The compensation increase assumption was based on the same underlying expectation of long-term inflation together with assumptions regarding real growth in wages and company-specific merit and promotion increases.

**Pension Plan Assets**

Pension plan assets (plan assets) are invested in a mix of equity and fixed-income securities. TECO Energy's investment objective is to obtain above-average returns while minimizing volatility of expected returns and funding requirements over the long term. TECO Energy's strategy is to hire proven managers and allocate assets to reflect a mix of investment styles, emphasize preservation of principal to minimize the impact of declining markets, and stay fully invested except for cash to meet benefit payment obligations and plan expenses.

TECO Energy Asset Category	2021 Target Allocation	2020 Target Allocation	Actual Allocation, End of Year	
			2021	2020
Equity securities	50%-70%	50%-70%	59%	60%
Fixed income securities	30%-50%	30%-50%	41%	40%
Total	100%	100%	100%	100%

TECO Energy reviews the plan's asset allocation periodically and re-balances the investment mix to maximize asset returns, optimize the matching of investment yields with the plan's expected benefit obligations, and minimize pension cost and funding. TECO Energy expects to take additional steps to more closely match plan assets with plan liabilities over the long term.

The plan's investments are held by a trust fund administered by The Bank of New York Mellon. Investments are valued using quoted market prices on an exchange when available. Such investments are classified Level 1. In some cases where a market exchange price is available but the investments are traded in a secondary market, acceptable practical expedients are used to calculate fair value.

If observable transactions and other market data are not available, fair value is based upon third-party developed models that use, when available, current market-based or independently-sourced market parameters such as interest rates, currency rates or option volatilities. Items valued using third-party generated models are classified according to the lowest level input or value driver that is most significant to the valuation. Thus, an item may be classified in Level 3 even though there may be significant inputs that are readily observable.

As required by the fair value accounting standards, the investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The plan's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. For cash equivalents, the cost approach was used in determining fair value. For bonds and U.S. government agencies, the income approach was used. For other investments, the market approach was used. The following table sets forth by level within the fair value hierarchy the plan's investments.

#### Pension Plan Investments

##### TECO Energy

(millions)

	At Fair Value as of December 31, 2021				
	Level 1	Level 2	Level 3	Using NAV <sup>(1)</sup>	Total
Cash	\$ 4	\$ 0	\$ 0	\$ 0	\$ 4
Accounts receivable	4	0	0	0	4
Accounts payable	(70)	0	0	0	(70)
Short-term investment funds (STIFs)	31	0	0	0	31
Common stocks	46	0	0	0	46
Real estate investment trusts (REITs)	6	0	0	0	6
Mutual funds	68	0	0	0	68
Municipal bonds	0	1	0	0	1
Government bonds	0	81	0	0	81
Corporate bonds	0	78	0	0	78
Mortgage backed securities (MBS)	0	1	0	0	1
Collateralized mortgage obligations (CMOs)	0	1	0	0	1
Short Sales	0	(2)	0	0	(2)
Long Futures	1	0	0	0	1
Swaps	0	1	0	0	1
<b>Investments not utilizing the practical expedient</b>	90	161	0	0	251
Common and collective trusts <sup>(1)</sup>	0	0	0	592	592
Mutual fund <sup>(1)</sup>	0	0	0	81	81
<b>Total investments</b>	<b>\$ 90</b>	<b>\$ 161</b>	<b>\$ 0</b>	<b>\$ 673</b>	<b>\$ 924</b>

- (1) In accordance with accounting standards, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts in this table are to permit reconciliation of the fair value hierarchy to amounts presented in the Consolidated Balance Sheet of TECO Energy.

**TECO Energy**  
(millions)

**At Fair Value as of December 31, 2020**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Using NAV <sup>(1)</sup></b>	<b>Total</b>
Cash	\$ 9	\$ 0	\$ 0	\$ 0	\$ 9
Accounts receivable	10	0	0	0	10
Accounts payable	(88)	0	0	0	(88)
Short-term investment funds (STIFs)	35	0	0	0	35
Common stocks	66	0	0	0	66
Real estate investment trusts (REITs)	8	0	0	0	8
Mutual funds	69	0	0	0	69
Municipal bonds	0	1	0	0	1
Government bonds	0	90	0	0	90
Corporate bonds	0	79	0	0	79
Mortgage backed securities (MBS)	0	1	0	0	1
Collateralized mortgage obligations (CMOs)	0	1	0	0	1
Short Sales	0	(4)	0	0	(4)
Long Futures	(2)	0	0	0	(2)
Swaps	0	1	0	0	1
<b>Investments not utilizing the practical expedient</b>	107	169	0	0	276
Common and collective trusts <sup>(1)</sup>	0	0	0	553	553
Mutual fund <sup>(1)</sup>	0	0	0	74	74
<b>Total investments</b>	<b>\$ 107</b>	<b>\$ 169</b>	<b>\$ 0</b>	<b>\$ 627</b>	<b>\$ 903</b>

(1) In accordance with accounting standards, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts in this table are to permit reconciliation of the fair value hierarchy to amounts presented in the Consolidated Balance Sheet of TECO Energy.

The following list details the pricing inputs and methodologies used to value the investments in the pension plan:

- Cash collateral is valued at cash posted due to its short-term nature.
- The STIF is valued at net asset value (NAV). The fund is an open-end investment, resulting in a readily-determinable fair value. Additionally, shares may be redeemed any business day at the NAV calculated after the order is accepted. The NAV is validated with purchases and sales at NAV. These factors make the STIF a level 1 asset.
- The primary pricing inputs in determining the fair value of the Common stocks and REITs are closing quoted prices in active markets.
- The primary pricing inputs in determining the level 1 mutual funds are the mutual funds' NAVs. The funds are registered open-end mutual funds and the NAVs are validated with purchases and sales at NAV. Since the fair values are determined and published, they are considered readily-determinable fair values and therefore Level 1 assets.
- The primary pricing inputs in determining the fair value of Municipal bonds are benchmark yields, historical spreads, sector curves, rating updates, and prepayment schedules. The primary pricing inputs in determining the fair value of Government bonds are the U.S. treasury curve, CPI, and broker quotes, if available. The primary pricing inputs in determining the fair value of Corporate bonds are the U.S. treasury curve, base spreads, YTM, and benchmark quotes. CMOs are priced using to-be-announced (TBA) prices, treasury curves, swap curves, cash flow information, and bids and offers as inputs. MBS are priced using TBA prices, treasury curves, average lives, spreads, and cash flow information.
- Swaps are valued using benchmark yields, swap curves, and cash flow analyses.
- The primary pricing input in determining the fair value of the mutual fund utilizing the practical expedient is its NAV. It is an unregistered open-end mutual fund. The fund holds primarily corporate bonds, debt securities and other similar instruments issued by U.S. and non-U.S. public- or private-sector entities. The fund may purchase or sell securities on a when-issued basis. These transactions are made conditionally because a security has not yet been issued in the market, although it is authorized. A commitment is made regarding these transactions to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. Since this mutual fund is an open-end mutual fund and the prices are not published to an external source, it uses NAV as a practical expedient. The redemption frequency is daily. The redemption notice period is the same day. There were no unfunded commitments as of December 31, 2021.
- The common collective trusts are private funds valued at NAV. The NAVs are calculated based on bid prices of the underlying securities. Since the prices are not published to external sources, NAV is used as a practical expedient. Certain funds invest primarily in equity securities of domestic and foreign issuers while others invest in long duration U.S. investment-grade fixed income assets and seeks to increase return through active management of interest rate and credit risks.

The redemption frequency of the funds ranges from daily to weekly and the redemption notice period ranges from 1 business day to 30 business days. There were no unfunded commitments as of December 31, 2021.

- Treasury bills are valued using benchmark yields, reported trades, broker dealer quotes, and benchmark securities.
- Futures are valued using futures data, cash rate data, swap rates, and cash flow analyses.

Additionally, the non-qualified SERP had \$10 million and \$10 million of assets as of December 31, 2021 and 2020, respectively. Since the plan is non-qualified, its assets are included in the “Deferred charges and other assets” line item in the Consolidated Balance Sheets rather than being netted with the related liability. The non-qualified trust holds investments in a money market fund. The fund is an open-end investment, resulting in a readily-determinable fair value. Additionally, shares may be redeemed any business day at the NAV calculated after the order is accepted. The NAV is validated with purchases and sales at NAV. These factors make it a level 1 asset. The SERP was fully funded as of December 31, 2021 and 2020.

### **Other Postretirement Benefit Plan Assets**

There are no assets associated with TECO Energy’s Florida-based other postretirement benefits plan.

### **Contributions**

The qualified pension plan’s actuarial value of assets, including credit balance, was 122.19% of the Pension Protection Act funded target as of January 1, 2021 and is estimated at 133.60% of the Pension Protection Act funded target as of January 1, 2022.

TECO Energy’s policy is to fund the qualified pension plan at or above amounts determined by its actuaries to meet ERISA guidelines for minimum annual contributions and minimize PBGC premiums paid by the plan. TEC’s contribution is first set equal to its service cost. If a contribution in excess of service cost for the year is made, TEC’s portion is based on TEC’s proportion of the TECO Energy unfunded liability. TECO Energy made contributions to this plan in 2021, 2020 and 2019, which met the minimum funding requirements for 2021, 2020 and 2019. TEC’s portion of the contribution in 2021 was \$17 million and in 2020 was \$16 million. These amounts are reflected in the “Other” line on the Consolidated Statements of Cash Flows. TEC estimates its portion of the 2022 contribution to be \$15 million. The amount TECO Energy expects to contribute is in excess of the minimum funding required under ERISA guidelines.

TEC’s portion of the contributions to the SERP in 2021, 2020 and 2019 was zero. Since the SERP is fully funded, TECO Energy does not expect to make significant contributions to this plan in 2022. TEC made SERP payments of approximately \$1 million, \$1 million and \$5 million from the trust in 2021, 2020 and 2019, respectively, and expects to make a SERP payment of approximately \$1 million from the trust in 2022.

The other postretirement benefits are funded annually to meet benefit obligations. TECO Energy’s contribution toward health care coverage for most employees who retired after the age of 55 between January 1, 1990 and June 30, 2001 is limited to a defined dollar benefit based on service. TECO Energy’s contribution toward pre-65 and post-65 health care coverage for most employees retiring on or after July 1, 2001 is limited to a defined dollar benefit based on an age and service schedule. In 2022, TEC expects to make a contribution of about \$12 million. Postretirement benefit levels are substantially unrelated to salary.

### **Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

#### **Expected Benefit Payments**

##### **TECO Energy**

**(including projected service and net of employee contributions)**

	<b>Pension Benefits</b>	<b>Other Postretirement Benefits</b>
<i>(millions)</i>		
2022	\$ 69	\$ 13
2023	72	14
2024	69	14
2025	68	14
2026	66	13
2027-2031	302	61

### **Defined Contribution Plan**

TECO Energy has a defined contribution savings plan covering substantially all employees of TECO Energy and its subsidiaries that enables participants to save a portion of their compensation up to the limits allowed by IRS guidelines. TECO Energy and its subsidiaries match 75% of the first 6% of the participant’s payroll savings deductions. Effective January 1, 2017, the employer

matching contributions increased from 70% to 75% with an additional incentive match of up to 25% of eligible participant contributions based on the achievement of certain operating company financial goals. For the years ended December 31, 2021, 2020 and 2019, TEC's portion of expense totaled \$22 million, \$21 million and \$11 million, respectively, related to the matching contributions made to this plan. TEC's portion of the expense related to the matching contribution is included on the Consolidated Statements of Income in "Operations & maintenance".

Effective October 21, 2019, TECO Energy amended the defined contribution plan such that certain participants covered by the IBEW collective bargaining agreement shall not be eligible to participate in the plan for purposes of receiving the fixed matching contribution. This has been replaced with a non-elective employer contribution on a bi-weekly basis equal to a percentage of the member's compensation for that period based on years of tenure of employment. For the years ended December 31, 2021, 2020 and 2019, TEC recognized expense totaling \$10 million, \$9 million and \$1 million, respectively, related to the contributions made to this plan. TEC's portion of the expense related to this contribution is included on the Consolidated Statements of Income in "Operations & maintenance".

## 6. Short-Term Debt

### Credit Facilities

		December 31, 2021			December 31, 2020		
	Credit	Borrowings	Borrowings	Letters		Borrowings	Letters
	Facilities	Outstanding -	Outstanding -	of Credit	Credit	Outstanding	of Credit
(millions)		Credit Facilities <sup>(1)</sup>	Commercial Paper <sup>(1)</sup>	Outstanding	Facilities	Outstanding <sup>(1)</sup>	Outstanding
5-year facility <sup>(2)</sup>	\$ 800	\$ 0	\$ 245	\$ 1	\$ 800	\$ 345	\$ 1
3-year accounts receivable facility <sup>(3)</sup>	0	0	0	0	150	130	0
1-year term facility <sup>(4)</sup>	500	500	0	0	300	300	0
Total	\$ 1,300	\$ 500	\$ 245	\$ 1	\$ 1,250	\$ 775	\$ 1

- (1) Borrowings outstanding are reported as notes payable in the Consolidated Balance Sheets.
- (2) This 5-year facility matures on December 17, 2026. TEC also has an active commercial paper program for up to \$800 million, of which the full amount outstanding is backed by TEC's credit facility. The amount of commercial paper issued results in an equal amount of its credit facility being considered drawn and unavailable.
- (3) This 3-year facility matured on March 22, 2021.
- (4) This 1-year term facility was terminated on March 23, 2021. On December 17, 2021, TEC entered into another 1-year term facility that matures on December 16, 2022.

At December 31, 2021, this credit facility required a commitment fee of 12.5 basis points. The weighted-average interest rate on borrowings outstanding under the credit facilities and commercial paper at December 31, 2021 and 2020 was 0.58% and 0.89%, respectively.

### Commercial Paper Program

On May 25, 2021, TEC established a commercial paper program (the Program) under which TEC may issue on a private placement basis unsecured commercial paper notes (the Notes). Amounts available under the Program may be borrowed, repaid and reborrowed with the aggregate amount of the Notes outstanding under the Program at any time not to exceed \$800 million. The maturities of the Notes will vary, but may not exceed 270 days from the date of issue. The rates of interest will depend on whether the Note will be a fixed or floating rate. TEC must have credit facilities in place, at least equal to the amount of its commercial paper program. TEC cannot issue commercial paper in an aggregate amount exceeding the then available capacity under its credit facility.

### TEC Term Loan

On February 6, 2020, TEC entered into a 364-day, \$300 million credit agreement with a group of banks. On January 29, 2021, TEC extended the maturity date of the agreement to April 29, 2021. On March 23, 2021, this loan was repaid and terminated.

On December 17, 2021, TEC entered into a 364-day, \$500 million credit agreement with a group of banks. The credit agreement has a maturity date of December 16, 2022; contains customary representations and warranties, events of default, and financial and other covenants; and provides for interest to accrue at variable rates based on either the London interbank deposit rate, Wells Fargo Bank's prime rate, or the federal funds rate, plus a margin.

*Accounts Receivable Facility*

On July 14, 2020 and October 30, 2020, TEC amended its \$150 million accounts receivable collateralized borrowing facility (Loan Agreement) in order to change certain performance ratios. On March 22, 2021, this agreement matured and terminated.

*5-Year Credit Facility*

On December 18, 2020, TEC amended and restated its bank credit facility, entering into a Sixth Amended and Restated Credit Agreement. The amendment extended the maturity date of the credit facility from March 22, 2022 to March 22, 2023 (subject to further extension with the consent of each lender); increased the amount of the commitment by the lenders to \$800 million; and provided for an interest rate based on either the London interbank deposit rate, Wells Fargo Bank's prime rate, or the federal funds rate, plus a margin; allows TEC to borrow funds on a same-day basis under a swingline loan provision, which loans mature on the fourth banking day after which any such loans are made and bear interest at an interest rate as agreed by the borrower and the relevant swingline lender prior to the making of any such loans; continues to allow TEC to request the lenders to increase their commitments under the credit facility by up to \$100 million in the aggregate; and made other technical changes.

On December 17, 2021, TEC amended and restated its bank credit facility, entering into a Seventh Amended and Restated Credit Agreement. The amendment extended the maturity date of the credit facility from March 22, 2023 to December 17, 2026 (subject to further extension with the consent of each lender); and provided for an interest rate based on either the London interbank deposit rate, Wells Fargo Bank's prime rate, or the federal funds rate, plus a margin; allows TEC to borrow funds on a same-day basis under a swingline loan provision, which loans mature on the fourth banking day after which any such loans are made and bear interest at an interest rate as agreed by the borrower and the relevant swingline lender prior to the making of any such loans; continues to allow TEC to request the lenders to increase their commitments under the credit facility by up to \$100 million in the aggregate; and made other technical changes.

## 7. Long-Term Debt

A substantial part of Tampa Electric's tangible assets are pledged as collateral to secure its first mortgage bonds. There are currently no bonds outstanding under Tampa Electric's first mortgage bond indenture, and Tampa Electric could cause the lien associated with this indenture to be released at any time.

### *Tampa Electric Company 2.40% Notes due 2031 and 3.45% Notes due 2051*

On March 18, 2021, TEC completed a sale of (i) \$400 million aggregate principal amount of 2.40% Notes due March 15, 2031 (the 2031 Notes) and (ii) \$400 million aggregate principal amount of 3.45% Notes due March 15, 2051 (the 2051 Notes, and collectively, the Notes). Until December 15, 2030, in the case of the 2031 Notes, or September 15, 2050, in the case of the 2051 Notes, TEC may redeem all or any part of such series of Notes at its option at a redemption price equal to the greater of (i) 100% of the principal amount of such series of Notes to be redeemed or (ii) the sum of the present values of the remaining payments of principal and interest on the Notes to be redeemed that would be due if the Notes matured on (a) December 15, 2030, in the case of the 2031 Notes, discounted to the redemption date on a semiannual basis at the applicable treasury rate (as defined in the Indenture), plus 15 basis points, or (b) September 15, 2050, in the case of the 2051 Notes, discounted to the redemption date on a semiannual basis at the applicable treasury rate, plus 20 basis points; in either case, the redemption price would include accrued and unpaid interest to the redemption date. At any time on or after December 15, 2030, in the case of the 2031 Notes or September 15, 2050, in the case of the 2051 Notes, TEC may, at its option, redeem such series of the Notes, in whole or in part, at 100% of the principal amount of such series of the Notes being redeemed plus accrued and unpaid interest thereon to, but excluding, the date of redemption.

## 8. Commitments and Contingencies

### Legal Contingencies

From time to time, TEC and its subsidiaries are involved in various legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies in the ordinary course of business. Where appropriate, accruals are made in accordance with accounting standards for contingencies to provide for matters that are probable of resulting in an estimable loss.

### Superfund and Former Manufactured Gas Plant Sites

TEC, through its Tampa Electric and PGS divisions, is a PRP for certain superfund sites and, through its PGS division, for certain former MGP sites. While the joint and several liability associated with these sites presents the potential for significant response costs, as of December 31, 2021 and 2020, TEC has estimated its ultimate financial liability to be \$14 million and \$17 million, respectively, primarily at PGS. This amount has been accrued and is primarily reflected in the long-term liability section under "Deferred credits and other liabilities" on the Consolidated Balance Sheets. The environmental remediation costs associated with these sites are expected to be paid over many years.

The estimated amounts represent only the portion of the cleanup costs attributable to TEC. The estimates to perform the work are based on TEC's experience with similar work, adjusted for site-specific conditions and agreements with the respective governmental agencies. The estimates are made in current dollars, are not discounted and do not assume any insurance recoveries.

In instances where other PRPs are involved, most of those PRPs are creditworthy and are likely to continue to be creditworthy for the duration of the remediation work. However, in those instances that they are not, TEC could be liable for more than TEC's actual percentage of the remediation costs.

Factors that could impact these estimates include the ability of other PRPs to pay their pro-rata portion of the cleanup costs, additional testing and investigation which could expand the scope of the cleanup activities, additional liability that might arise from the cleanup activities themselves or changes in laws or regulations that could require additional remediation. Under current regulations, these costs are recoverable through customer rates established in subsequent base rate proceedings.

### Long-Term Commitments

TEC has commitments for various purchases as disclosed below, including payment obligations for capital projects, such as Tampa Electric's solar projects (see **Note 3**) and the modernization of the Big Bend power station, and contractual agreements for fuel, fuel transportation and power purchases that are recovered from customers under regulatory clauses. The following is a schedule



of future payments under minimum lease payments with non-cancelable lease terms in excess of one year and other net purchase obligations/commitments at December 31, 2021:

<i>(millions)</i>	<i>Purchased Power</i>	<i>Transportation<sup>(1)</sup></i>	<i>Capital Projects</i>	<i>Fuel and Gas Supply</i>	<i>Long-term Service Agreements</i>	<i>Operating Leases</i>	<i>Demand Side Management</i>	<i>Total</i>
<i>Year ended December 31:</i>								
2022	\$ 2	\$ 244	\$ 202	\$ 349	\$ 20	\$ 3	\$ 2	\$ 822
2023	0	224	63	27	42	3	1	360
2024	0	215	0	0	27	3	1	246
2025	0	200	0	0	19	2	0	221
2026	0	197	0	0	20	1	0	218
Thereafter	0	1,871	0	0	52	48	0	1,971
Total future minimum payments	\$ 2	\$ 2,951	\$ 265	\$ 376	\$ 180	\$ 60	\$ 4	\$ 3,838

(1) As of December 31, 2021, \$112 million is related to a gas transportation contract through 2040 between PGS and SeaCoast, a related party.

### Financial Covenants

TEC must meet certain financial tests, including a debt to capital ratio, as defined in the applicable debt agreements. TEC has certain restrictive covenants in specific agreements and debt instruments. At December 31, 2021 and 2020, TEC was in compliance with all required financial covenants.

## 9. Revenue

The following disaggregates TEC's revenue by major source:

(millions)	Tampa Electric	PGS	Eliminations	Tampa Electric Company
<i>For the year ended December 31, 2021</i>				
<b>Electric revenue</b>				
Residential	\$ 1,156	\$ 0	\$ 0	\$ 1,156
Commercial	602	0	0	602
Industrial	172	0	0	172
Regulatory deferrals and unbilled revenue	(8)	0	0	(8)
Other <sup>(1)</sup>	252	0	(4)	248
Total electric revenue	2,174	0	(4)	2,170
<b>Gas revenue</b>				
Residential	0	212	0	212
Commercial	0	191	0	191
Industrial <sup>(2)</sup>	0	25	0	25
Other <sup>(3)</sup>	0	100	(3)	97
Total gas revenue	0	528	(3)	525
<b>Total revenue</b>	<u>\$ 2,174</u>	<u>\$ 528</u>	<u>\$ (7)</u>	<u>\$ 2,695</u>
<i>For the year ended December 31, 2020</i>				
<b>Electric revenue</b>				
Residential	\$ 1,018	\$ 0	\$ 0	\$ 1,018
Commercial	506	0	0	506
Industrial	133	0	0	133
Regulatory deferrals and unbilled revenue	(25)	0	0	(25)
Other <sup>(1)</sup>	217	0	(4)	213
Total electric revenue	1,849	0	(4)	1,845
<b>Gas revenue</b>				
Residential	0	158	0	158
Commercial	0	135	0	135
Industrial <sup>(2)</sup>	0	23	0	23
Other <sup>(3)</sup>	0	117	(6)	111
Total gas revenue	0	433	(6)	427
<b>Total revenue</b>	<u>\$ 1,849</u>	<u>\$ 433</u>	<u>\$ (10)</u>	<u>\$ 2,272</u>
<i>For the year ended December 31, 2019</i>				
<b>Electric revenue</b>				
Residential	\$ 1,046	\$ 0	\$ 0	\$ 1,046
Commercial	562	0	0	562
Industrial	156	0	0	156
Regulatory deferrals and unbilled revenue	(49)	0	0	(49)
Other <sup>(1)</sup>	250	0	(4)	246
Total electric revenue	1,965	0	(4)	1,961
<b>Gas revenue</b>				
Residential	0	154	0	154
Commercial	0	146	0	146
Industrial <sup>(2)</sup>	0	21	0	21
Other <sup>(3)</sup>	0	140	(18)	122
Total gas revenue	0	461	(18)	443
<b>Total revenue</b>	<u>\$ 1,965</u>	<u>\$ 461</u>	<u>\$ (22)</u>	<u>\$ 2,404</u>

- (1) Other includes sales to public authorities, off-system sales to other utilities and various other items.  
(2) Industrial includes sales to power generation customers.  
(3) Other includes off-system sales to other utilities and various other items.

### Remaining Performance Obligations

Remaining performance obligations primarily represent lighting contracts and gas transportation contracts with fixed contract terms. As of December 31, 2021 and 2020, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately \$135 million. This amount includes \$112 million of future performance obligations related to a gas transportation contract between SeaCoast and PGS through 2040. As allowed under ASC 606, this amount excludes contracts with an original expected length of one year or less and variable amounts for which TEC recognizes revenue at the amount to which it has the right to invoice for services performed. TEC expects to recognize revenue for the remaining performance obligations through 2041.

### 10. Related Party Transactions

A summary of activities between TEC and its affiliates follows:

#### Net transactions with affiliates:

(millions)	2021	2020	2019
Natural gas sales to/(from) affiliates	\$ (236)	\$ (139)	\$ (111)
Services received from affiliates	7	6	65
Dividends to TECO Energy	450	408	373
Equity contributions from TECO Energy	580	505	395

In 2019, services received from affiliates primarily included shared services provided to TEC from TSI, TECO Energy's centralized services company subsidiary. In December 2019, most TSI employees were transferred to Tampa Electric. The transfer of these employees to Tampa Electric did not materially impact shared service costs or the TEC Consolidated Statement of Income. In 2021 and 2020, the shared service costs were not recorded through TSI but rather directly recorded in TEC's O&M expenses on the TEC Consolidated Statement of Income.

#### Amounts due from or to affiliates at December 31,

(millions)	2021	2020
Accounts receivable related to asset management agreements to Emera Energy Services Inc. <sup>(1)</sup>	\$ 4	\$ 4
Accounts receivable excluding asset management agreements <sup>(1)</sup>	4	7
Accounts payable <sup>(1)</sup>	35	27
Taxes payable <sup>(2)</sup>	9	19

(1) Accounts receivable and accounts payable were incurred in the ordinary course of business and do not bear interest.

(2) Taxes payable were due to EUSHI. See **Note 4** for additional information.

### 11. Segment Information

Segments are determined based on how management evaluates, measures and makes decisions with respect to the operations of the entity. Management reports segments based on each segment's contribution of revenues, net income and total assets as required by the accounting guidance for disclosures about segments of an enterprise and related information. All significant intercompany transactions are eliminated in the Consolidated Financial Statements of TEC but are included in determining reportable segments.

TEC is a public utility operating within the State of Florida and has two segments, Tampa Electric and PGS. Through its Tampa Electric division, it is engaged in the generation, purchase, transmission, distribution and sale of electric energy to approximately 810,600 customers in West Central Florida. Its PGS division is engaged in the purchase, distribution and marketing of natural gas for approximately 445,300 residential, commercial, industrial and electric power generation customers in the State of Florida.

<i>(millions)</i>	Tampa Electric	PGS	Eliminations	TEC
<b>2021</b>				
Revenues - external	\$ 2,170	\$ 525	\$ 0	\$ 2,695
Sales to affiliates	4	3	(7)	0
Total revenues	2,174	528	(7)	2,695
Depreciation and amortization	374	56	0	430
Total interest charges	110	20	0	130
Provision for income taxes	57	23	0	80
Net income	369	77	0	446
Total assets	10,650	2,209	(663) <sup>(1)</sup>	12,196
Capital expenditures	1,081	316	0	1,397
<b>2020</b>				
Revenues - external	\$ 1,845	\$ 427	\$ 0	\$ 2,272
Sales to affiliates	4	6	(10)	0
Total revenues	1,849	433	(10)	2,272
Depreciation and amortization	339	45	0	384
Total interest charges	113	17	0	130
Provision for income taxes	66	16	0	82
Net income	372	52	0	424
Total assets	9,800	1,901	(653) <sup>(1)</sup>	11,048
Capital expenditures	1,028	333	0	1,361
<b>2019</b>				
Revenues - external	\$ 1,961	\$ 443	\$ 0	\$ 2,404
Sales to affiliates	4	18	(22)	0
Total revenues	1,965	461	(22)	2,404
Depreciation and amortization	336	41	0	377
Total interest charges	117	17	0	134
Provision for income taxes	59	18	0	77
Net income	316	54	0	370
Total assets	9,007	1,593	(593) <sup>(1)</sup>	10,007
Capital expenditures	1,055	228	0	1,283

(1) Amounts relate to consolidated deferred tax reclassifications. Deferred tax assets are reclassified and netted with deferred tax liabilities upon consolidation.

## 12. Asset Retirement Obligations

TEC accounts for AROs at fair value at inception of the obligation if there is a legal obligation under applicable law, a written or oral contract, or by legal construction under the doctrine of promissory estoppel. Retirement obligations are recognized only if the legal obligation exists in connection with or as a result of the permanent retirement, abandonment or sale of a long-lived asset. When the liability is initially recorded in "Deferred credits and other liabilities" in the Consolidated Balance Sheets, the carrying amount of the related long-lived asset is correspondingly increased. Over time, the liability is accreted to its estimated future value. The corresponding amount capitalized at inception is depreciated over the remaining useful life of the asset. The ARO estimates are reviewed quarterly. Any updates are revalued based on current market prices.

### Reconciliation of beginning and ending carrying amount of asset retirement obligations:

<i>(millions)</i>	December 31,	
	2021	2020
Beginning balance	\$ 39	\$ 49
Additional liabilities	0	8
Liabilities settled <sup>(1)</sup>	(9)	(19)
Other	1	1
Ending balance	\$ 31	\$ 39

- (1) Tampa Electric produces ash and other by-products, collectively known as CCRs, at its Big Bend and Polk power stations. The decrease in the ARO in 2021 and 2020 is due to the closure of CCR management facilities.

### 13. Leases

TEC determines whether a contract contains a lease at inception by evaluating if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Operating lease ROU assets and operating lease liabilities are recognized on the Consolidated Balance Sheets based on the present value of the future minimum lease payments over the lease term at commencement date. As most of TEC's leases do not provide an implicit rate, the incremental borrowing rate at commencement of the lease is used in determining the present value of future lease payments. Lease expense is recognized on a straight-line basis over the lease term and is recorded as "Operations and maintenance expenses" on the Consolidated Statements of Income.

Where TEC is the lessor, a lease is a sales-type lease if certain criteria is met and the arrangement transfers control of the underlying asset to the lessee. For arrangements where the criteria are met due to the presence of a third-party residual value guarantee, the lease is a direct financing lease.

For direct finance leases, a net investment in the lease is recorded that consists of the sum of the minimum lease payments and residual value (net of estimated executory costs and unearned income). The difference between the gross investment and the cost of the leased item is recorded as unearned income at the inception of the lease. Unearned income is recognized in income over the life of the lease using a constant rate of interest equal to the internal rate of return on the lease.

TEC has certain contractual agreements that include lease and non-lease components, which management has elected to account for as a single lease component for all leases in which TEC is the lessee.

#### *Lessee*

TEC has operating leases for buildings, land, telecommunication services and rail cars. TEC's leases have remaining lease terms of 1 year to 64 years, some of which include options to extend the leases for up to an additional 65 years. These options are included as part of the lease term when it is considered reasonably certain that they will be exercised.

<i>(millions)</i>	<i>Classification</i>	<i>December 31, 2021</i>	<i>December 31, 2020</i>
Right-of-use asset	Other deferred debits	\$ 24	\$ 26
<b>Lease liabilities</b>			
Current	Other current liabilities	\$ 2	\$ 2
Long-term	Deferred credits and other liabilities	23	25
<b>Total lease liabilities</b>		<u>\$ 25</u>	<u>\$ 27</u>

TEC has recorded operating lease expense for the year ended December 31, 2021, 2020 and 2019 of \$5 million, \$4 million and \$4 million, respectively.

Future minimum lease payments under non-cancellable operating leases for each of the next five years and in aggregate thereafter consisted of the following at December 31, 2021:

<i>(millions)</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2026</i>	<i>Thereafter</i>	<i>Total</i>
<i>Year ended December 31:</i>							
Minimum lease payments	\$ 3	\$ 3	\$ 3	\$ 2	\$ 1	\$ 47	\$ 59
Less imputed interest							(34)
<b>Total future minimum payments</b>							<u>\$ 25</u>

Additional information related to TEC's leases is as follows:

<i>Year ended December 31,</i>	<i>2021</i>	<i>2020</i>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases (millions)	\$ 4	\$ 5
Weighted average remaining lease term (years)	44	43
Weighted average discount rate - operating leases	4.4%	4.3%

#### **Lessor**

TEC leases CNG stations to other companies, which are classified as direct finance leases. The net investment in direct finance leases consists of the following:

<i>(millions)</i>	<i>December 31, 2021</i>	<i>December 31, 2020</i>
Total minimum lease payments to be received	\$ 29	\$ 31
Less amounts representing estimated executory costs	(11)	(12)
Minimum lease payments receivable	\$ 18	\$ 19
Less unearned finance lease income	(9)	(10)
Net investment in direct finance and sales-type leases	\$ 9	\$ 9
Principal due within one year (included in "Receivables")	(2)	(2)
Net investment in direct finance and sales-type leases - long-term (included in "Other deferred debits")	\$ 7	\$ 7

The unearned income related to these direct finance leases is recognized in income over the life of the lease using a constant rate of interest equal to the internal rate of return on the lease and is recorded as "Gas revenues" on the Consolidated Statements of Income. Customers have the option to purchase the assets related to the CNG stations at any time after year five of the agreements, which was in 2021, by paying a make-whole payment at the date of the purchase based on a targeted internal rate of return. This option was not exercised by any customer in 2021. Alternatively, the customer may take possession of the CNG station asset at the end of the lease term for no cost.

As of December 31, 2021, future minimum direct finance lease payments to be received for each of the next five years and in aggregate thereafter consisted of the following:

<i>(millions)</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2026</i>	<i>Thereafter</i>	<i>Total</i>
<i>Year ended December 31:</i>							
Minimum lease payments to be received	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 19	\$ 29
Less executory costs							(11)
Total minimum lease payments receivable							\$ 18

## **14. Fair Value Measurements**

### **Items Measured at Fair Value on a Recurring Basis**

Accounting guidance governing fair value measurements and disclosures provides that fair value represents the amount that would be received in selling an asset or the amount that would be paid in transferring a liability in an orderly transaction between market participants. As a basis for considering assumptions that market participants would use in pricing an asset or liability, accounting guidance also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs, such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

There were no Level 3 assets or liabilities for the periods presented.

As of December 31, 2021 and 2020, the fair value of TEC's short-term debt was not materially different from the carrying value due to the short-term nature of the instruments and because the stated rates approximate market rates. The fair value of TEC's short-term debt is determined using Level 2 measurements.

See **Note 5** and **Consolidated Statements of Capitalization** for information regarding the fair value of the pension plan investments and long-term debt, respectively.

## **15. Stock-Based Compensation**

### **Performance Share Unit Plan**

Emera has a performance share unit (PSU) plan. The PSU liability is marked-to-market at the end of each period based on an average common share price at the end of the period. Emera common shares are traded on the Toronto Stock Exchange under the symbol EMA.

Under the PSU plan, certain executive and senior employees are eligible for long-term incentives payable through the PSU plan. PSUs are granted annually for three-year overlapping performance cycles, resulting in a cash payment. PSUs are granted based on the average of Emera's stock closing price for the fifty trading days prior to the effective grant date. Dividend equivalents are awarded and are paid in the form of additional PSUs. The PSU value varies according to the Emera common share market price and corporate performance.

PSUs vest at the end of the three-year cycle and the payouts will be calculated and approved by the Emera Management Resources and Compensation Committee (MRCC) early in the following year. The value of the payout considers actual service over the performance cycle and may be pro-rated in certain departure scenarios.

A summary of the activity related to TEC employee PSUs is presented in the following table:

	Number of Units (Thousands)	Weighted Average Grant Date Fair Value (Per Unit)	Aggregate Intrinsic Value (Millions)
Outstanding as of December 31, 2020	390	46.87	21
Granted including DRIP	91	52.25	5
Exercised	(175)	48.12	10
Forfeited	(26)	47.82	1
Transferred	5	47.18	0
Outstanding as of December 31, 2021	<u>285</u>	47.74	18

Compensation cost recognized for the PSU plan for the years ended December 31, 2021, 2020 and 2019 was \$3 million, \$8 million and \$8 million, respectively. Tax benefits related to this compensation cost for share units realized for the years ended December 31, 2021, 2020 and 2019 were \$1 million, \$2 million and \$2 million, respectively. Cash payments made during the year ended December 31, 2021, 2020 and 2019 associated with the PSU plan were \$10 million, \$9 million and zero, respectively. As of December 31, 2021 and 2020, there was \$3 million and \$5 million, respectively, of unrecognized compensation cost related to non-vested PSUs that is expected to be recognized over a weighted-average period of two years.

## **16. Long-Term PPAs**

In 2019, Tampa Electric entered into a long-term PPA with a wholesale energy provider in Florida with up to 515 MW of available capacity, which expires in 2022. Because some of these provisions provide for the transfer or sharing of a number of risks inherent in the generation of energy, these agreements meet the definition of being variable interests. These risks include: operating and maintenance, regulatory, credit, commodity/fuel and energy market risk. Tampa Electric reviewed these risks and determined that the owners of these entities retain the majority of these risks over the expected life of the underlying generating assets, have the power to direct the most significant activities, and have the obligation or right to absorb losses or benefits. As a result, Tampa Electric was not the primary beneficiary and was not required to consolidate any of these entities. Tampa Electric purchased \$46 million, \$36 million and \$25 million under these long-term PPAs for the three years ended December 31, 2021, 2020 and 2019, respectively.

TEC does not provide any material financial or other support to any of the variable interests it is involved with, nor is TEC under any obligation to absorb losses associated with these variable interests. Excluding the payments for energy under these contracts, TEC's involvement with these variable interests does not affect its Consolidated Balance Sheets, Statements of Income or Cash Flows.

**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**Item 9A. CONTROLS AND PROCEDURES**

**Conclusions Regarding Effectiveness of Disclosure Controls and Procedures.**

TEC's management, with the participation of its principal executive officer and principal financial officer, has evaluated the effectiveness of TEC's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) as of the end of the period covered by this annual report, December 31, 2021 (Evaluation Date). Based on such evaluation, TEC's principal executive officer and principal financial officer have concluded that, as of the Evaluation Date, TEC's disclosure controls and procedures are effective.

**Management's Report on Internal Control over Financial Reporting.**

TEC's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended. We conducted an evaluation of the effectiveness of TEC's internal control over financial reporting as of December 31, 2021 based on the 2013 framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under this framework, our management concluded that TEC's internal control over financial reporting was effective as of December 31, 2021.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. A control system, no matter how well designed and operated, can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Changes in Internal Control over Financial Reporting.**

There was no change in TEC's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of TEC's internal controls that occurred during TEC's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, such controls.

**Item 9B. OTHER INFORMATION**

None.



### PART III

#### Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by Item 10 is omitted pursuant to General Instruction I(2) of Form 10-K.

#### Item 11. EXECUTIVE COMPENSATION

Information required by Item 11 is omitted pursuant to General Instruction I(2) of Form 10-K.

#### Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by Item 12 is omitted pursuant to General Instruction I(2) of Form 10-K.

#### Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by Item 13 is omitted pursuant to General Instruction I(2) of Form 10-K.

#### Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

##### *Fees Paid by TEC to the Independent Auditors*

The following table presents fees for professional audit services and other services rendered by Ernst & Young LLP for the audit of TEC's annual financial statements and other services for the years ended December 31, 2021 and 2020, respectively.

	2021	2020
Audit fees	\$ 503,300	\$ 403,300
Tax fees		
Tax planning fees	18,393	0
Total	<u>\$ 521,693</u>	<u>\$ 403,300</u>

Audit fees consist of fees for professional services performed for (i) the audit of TEC's annual financial statements (ii) the related reviews of the financial statements included in TEC's 10-Q filings (iii) services related to securities offerings (iv) services that are normally provided in connection with statutory and regulatory filings or engagements.

Tax fees consist of certain property tax planning fees.

##### *Audit Committee Pre-Approval Policy*

All services performed by the independent auditor are approved by the Audit Committee of the Emera Board of Directors in accordance with Emera's pre-approval policy for services provided by the independent auditor.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Certain Documents Filed as Part of this Form 10-K

1. Financial Statements

Tampa Electric Company Financial Statements

Reports of Independent Registered Public Accounting Firms (PCAOB ID: 42)

Consolidated Balance Sheets at December 31, 2021 and 2020

Consolidated Statements of Income and Comprehensive Income for the Years Ended December 31, 2021, 2020 and 2019

Consolidated Statements of Cash Flows for the Years Ended December 31, 2021, 2020 and 2019

Consolidated Statements of Capitalization for the Years Ended December 31, 2021, 2020 and 2019

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

Tampa Electric Company Schedule II - Valuation and Qualifying Accounts and Reserves

3. Exhibits

(b) The exhibits filed as part of this Form 10-K are listed on the List of Exhibits below.

(c) The financial statement schedules filed as part of this Form 10-K are listed in paragraph (a)(2) above, and follow immediately.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

TAMPA ELECTRIC COMPANY  
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES  
For the Years Ended December 31, 2021, 2020 and 2019  
(millions)

	Balance at Beginning of Period	Additions		Payments & Deductions <sup>(1)</sup>		Balance at End of Period
		Charged to Income	Other Charges			
<b>Allowance for Credit Losses:</b>						
2021	\$ 7	\$ 8	\$ 0	\$ 8	\$ 7	
2020	\$ 2	\$ 9	\$ 0	\$ 4	\$ 7	
2019	\$ 2	\$ 5	\$ 0	\$ 5	\$ 2	

(1) Write-off of individual bad debt accounts

## LIST OF EXHIBITS

Exhibit No.	Description	
3.1	Restated Articles of Incorporation of Tampa Electric Company, as amended on November 30, 1982 (Exhibit 3 to Registration Statement No. 2-70653 of Tampa Electric Company). (P)	*
3.2	<a href="#">Bylaws of Tampa Electric Company, as amended effective February 2, 2011 (Exhibit 3.4, Form 10-K for 2010 of Tampa Electric Company).</a>	*
4.1	<a href="#">Loan and Trust Agreement dated as of Jul. 2, 2007 among Hillsborough County Industrial Development Authority, Tampa Electric Company and The Bank of New York Trust Company, N.A., as trustee (including the form of Bond) (Exhibit 4.1, Form 8-K dated Jul. 25, 2007 of Tampa Electric Company).</a>	*
4.2	<a href="#">First Supplemental Loan and Trust Agreement dated as of March 26, 2008 among Hillsborough County Industrial Development Authority, Tampa Electric Company and The Bank of New York Trust Company, N.A., as trustee (Exhibit 4.1, Form 8-K dated March 26, 2008 of Tampa Electric Company).</a>	*
4.3	<a href="#">Loan and Trust Agreement dated as of November 15, 2010 among Tampa Electric Company, Polk County Industrial Development Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of bond) (Exhibit 4.1, Form 8-K dated November 23, 2010 of Tampa Electric Company).</a>	*
4.4	<a href="#">Loan and Trust Agreement among Hillsborough County Industrial Development Authority, Tampa Electric Company and The Bank of New York Trust Company, N.A., as trustee, dated as of January 5, 2006 (including the form of bond) (Exhibit 4.1, Form 8-K dated January 19, 2006 of Tampa Electric Company).</a>	*
4.5	<a href="#">Indenture between Tampa Electric Company and The Bank of New York, as trustee, dated as of Jul. 1, 1998 (Exhibit 4.1, Registration Statement No. 333-55873 of Tampa Electric Company).</a>	*
4.6	<a href="#">Third Supplemental Indenture between Tampa Electric Company and The Bank of New York, as trustee, dated as of Jun. 15, 2001 (Exhibit 4.2, Form 8-K dated Jun. 25, 2001 of Tampa Electric Company).</a>	*
4.7	<a href="#">Fifth Supplemental Indenture between Tampa Electric Company and The Bank of New York, as trustee, dated as of May 1, 2006 (Exhibit 4.16, Form 8-K dated May 12, 2006 of Tampa Electric Company).</a>	*
4.8	<a href="#">Sixth Supplemental Indenture dated as of May 1, 2007 between Tampa Electric Company and The Bank of New York, as trustee (Exhibit 4.18, Form 8-K dated May 25, 2007 of Tampa Electric Company).</a>	*
4.9	<a href="#">Seventh Supplemental Indenture dated as of May 1, 2008 between Tampa Electric Company and The Bank of New York, as trustee (Exhibit 4.20, Form 8-K dated May 16, 2008 of Tampa Electric Company).</a>	*
4.10	<a href="#">Eighth Supplemental Indenture dated as of November 15, 2010 between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee (including the form of 5.40% Notes due 2021) (Exhibit 4.1, Form 8-K dated December 9, 2010 of Tampa Electric Company).</a>	*
4.11	<a href="#">Ninth Supplemental Indenture dated as of May 31, 2012 between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing the Indenture dated as of July 1, 1998, as amended (including the form of 4.10% Notes due 2042) (Exhibit 4.23, Form 8-K dated June 5, 2012 for Tampa Electric Company).</a>	*
4.12	<a href="#">Tenth Supplemental Indenture dated as of September 19, 2012 between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing and amending the Indenture dated as of July 1, 1998, as amended (including the form of 2.60% Notes due 2022) (Exhibit 4.25, Form 8-K dated September 28, 2012 for Tampa Electric Company).</a>	*
4.13	<a href="#">Eleventh Supplemental Indenture dated as of May 12, 2014 between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing the Indenture dated as of July 1, 1998, as amended (including the form of 4.35% Notes due 2044) (Exhibit 4.27, Form 8-K dated May 15, 2014).</a>	*

- 4.14 [Twentieth Supplemental Indenture dated as of December 1, 2013 between Tampa Electric Company and US Bank, N.A., as successor trustee, amending and restating the Indenture of Mortgage among Tampa Electric Company, State Street Trust Company and First Savings & Trust Company of Tampa, dated as of August 1, 1946 \(Exhibit 4.30, Form 10-K for 2013 of Tampa Electric Company\).](#) \*
- 4.15 [Twelfth Supplemental Indenture dated as of May 20, 2015, between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing the Indenture dated as of July 1, 1998, as amended \(including the form of 4.20% Notes due 2045\) \(Exhibit 4.24, Form 8-K dated May 20, 2015 of Tampa Electric Company\).](#) \*
- 4.16 [Thirteenth Supplemental Indenture dated as of June 7, 2018, between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing the Indenture dated as of July 1, 1998, as amended \(Exhibit 4.9, Form 8-K dated June 7, 2018 of Tampa Electric Company\).](#) \*
- 4.17 [Fourteenth Supplemental Indenture dated as of October 4, 2018 between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing the Indenture dated as of July 1, 1998, as amended \(Exhibit 4.11, Form 8-K dated October 4, 2018 of Tampa Electric Company\).](#) \*
- 4.18 [Fifteenth Supplemental Indenture dated as of July 24, 2019, between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing the Indenture dated as of July 1, 1998, as amended \(Exhibit 4.13, Form 8-K dated July 24, 2019 of Tampa Electric Company\).](#) \*
- 4.19 [Sixteenth Supplemental Indenture dated as of March 18, 2021, between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing the Indenture dated as of July 1, 1998, as amended \(Exhibit 4.9, Form 8-K dated March 18, 2021 of Tampa Electric Company\).](#) \*
- 10.1 [TECO Energy Group Supplemental Executive Retirement Plan, as amended and restated as of November 1, 2007 \(Exhibit 10.1, Form 10-K for 2007 of Tampa Electric Company\).](#) \*
- 10.2 [TECO Energy Group Supplemental Disability Income Plan, dated as of March 20, 1989 \(Exhibit 10.22, Form 10-K for 1988 of TECO Energy, Inc.\). \(P\)](#) \*
- 10.3 [TECO Energy Group Supplemental Benefits Trust Agreement effective as of January 1, 2020 \(Exhibit 10.4, Form 10-K for 2019 of Tampa Electric Company\).](#) \*
- 10.4 [TECO Energy Group Benefit Restoration Plan dated as of November 13, 2015 \(Exhibit 10.4, Form 10-K for 2015 of Tampa Electric Company\).](#) \*
- 10.5 [Insurance Agreement dated as of January 5, 2006 between Tampa Electric Company and Ambac Assurance Corporation \(Exhibit 10.1, Form 8-K dated January 19, 2006 of Tampa Electric Company\).](#) \*
- 10.6 [Amended and Restated Purchase and Contribution Agreement dated as of March 24, 2015, between Tampa Electric Company, as the Originator, and TEC Receivables Corp., as the Purchaser \(Exhibit 10.1, Form 8-K dated March 24, 2015 of TECO Energy, Inc.\).](#) \*
- 10.7 [Loan and Servicing Agreement dated as of March 24, 2015, among TEC Receivables Corp., as Borrower, Tampa Electric Company, as Servicer, certain lenders named therein, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as Program Agent \(Exhibit 10.2, Form 8-K dated March 24, 2015 of TECO Energy, Inc.\).](#) \*
- 10.8 [Amendment No. 1 to Loan and Servicing Agreement dated as of August 10, 2016, among TEC Receivables Corp., as Borrower, Tampa Electric Company, as Servicer, certain lenders named therein, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as Program Agent \(Exhibit 10.1, Form 10-Q for the quarter ended September 30, 2016 of Tampa Electric Company\).](#) \*

- 10.9 [Amendment No. 2 dated as of March 23, 2018 to Loan and Servicing Agreement dated as of March 24, 2015, between Tampa Electric Company, as the Servicer, and TEC Receivables Corp., as the Borrower, certain lenders named therein, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Program Agent \(Exhibit 10.1, Form 8-K dated March 23, 2018 of Tampa Electric Company\).](#) \*
- 10.10 [Fifth Amended and Restated Credit Agreement dated as of March 22, 2017, among Tampa Electric Company, as Borrower, with Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders and LC Issuing Banks party thereto \(Exhibit 10.1, Form 8-K dated March 22, 2017 of Tampa Electric Company\).](#) \*
- 10.11 [Master Lenders' Amendment and Consent dated as of December 19, 2019 to the Fifth Amended and Restated Credit Agreement dated as of March 22, 2017, among Tampa Electric Company, as Borrower, with Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders and LC Issuing Banks party thereto \(Exhibit 10.12, Form 10-K for 2019 of Tampa Electric Company\).](#) \*
- 10.12 [Credit Agreement dated as of February 6, 2020, among Tampa Electric Company, as Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto \(Exhibit 10.1, Form 8-K dated February 6, 2020 of Tampa Electric Company\).](#) \*
- 10.13 [Amendment No. 4 dated as of July 14, 2020 to Loan and Servicing Agreement dated as of March 24, 2015, between Tampa Electric Company, as the Servicer, and TEC Receivables Corp., as the Borrower, certain lenders named therein, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Program Agent \(Exhibit 10.1, Form 10-Q for the quarter ended June 30, 2020 of Tampa Electric Company\).](#) \*
- 10.14 [Amendment No. 5 dated as of October 30, 2020 to Loan and Servicing Agreement dated as of March 24, 2015, between Tampa Electric Company, as the Servicer, and TEC Receivables Corp., as the Borrower, certain lenders named therein, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Program Agent \(Exhibit 10.1, Form 10-Q for the quarter ended September 30, 2020 of Tampa Electric Company\).](#) \*
- 10.15 [Amendment No. 1 dated January 29, 2021 to Credit Agreement dated as of February 6, 2020, among Tampa Electric Company, as Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto \(Exhibit 10.15, Form 10-K for 2020 of Tampa Electric Company\).](#) \*
- 10.16 [Sixth Amended and Restated Credit Agreement dated as of December 18, 2020, among Tampa Electric Company, as Borrower, with Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto \(Exhibit 10.1, Form 8-K dated December 18, 2020 of Tampa Electric Company\).](#) \*
- 10.17 [Seventh Amended and Restated Credit Agreement dated as of December 17, 2021, among Tampa Electric Company, as Borrower, with Wells Fargo Bank, National Association, as Administrative Agent, and the Credit Facility Lenders party thereto \(Exhibit 10.2, Form 8-K dated December 17, 2021 of Tampa Electric Company\).](#) \*
- 10.18 [Credit Agreement dated as of December 17, 2021, among Tampa Electric Company, as Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto \(Exhibit 10.1, Form 8-K dated December 17, 2021 of Tampa Electric Company\).](#) \*
- 23 [Consent of Independent Certified Public Accountants.](#)
- 31.1 [Certification of the Chief Executive Officer of Tampa Electric Company pursuant to Securities Exchange Act Rules 13a-14\(a\) and 15d-14\(a\) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of the Chief Financial Officer of Tampa Electric Company to Securities Exchange Act Rules 13a-14\(a\) and 15d-14\(a\) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

32 [Certification of the Chief Executive Officer and Chief Financial Officer of Tampa Electric Company pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#) <sup>(1)</sup>

99.1 [Stipulation and Settlement Agreement, dated as of August 6, 2021, by and among Tampa Electric Company, the Office of Public Counsel, the Florida Industrial Power Users Group, Federal Executive Agencies, the Florida Retail Federation, Walmart, Inc., and the West Central Florida Hospital Utility Alliance \(Exhibit 99.1, Form 10-Q for the quarter ended June 30, 2021 of Tampa Electric Company\).](#) \*

101.INS\*\* Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.

101.SCH\*\* Inline XBRL Taxonomy Extension Schema Document.

101.CAL\*\* Inline XBRL Taxonomy Extension Calculation Linkbase Document.

101.DEF\*\* Inline XBRL Taxonomy Extension Definition Linkbase Document.

101.LAB\*\* Inline XBRL Taxonomy Label Linkbase Document.

101.PRE\*\* Inline XBRL Taxonomy Presentation Linkbase Document.

104 The cover page from TEC's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 has been formatted in Inline XBRL.

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(1) This certification accompanies the Annual Report on Form 10-K and is not filed as part of it.

\* Indicates exhibit previously filed with the Securities and Exchange Commission and incorporated herein by reference. Exhibits filed with periodic reports of TECO Energy, Inc. and Tampa Electric Company were filed under Commission File Nos. 1-8180 and 1-5007, respectively.

Certain instruments defining the rights of holders of long-term debt of Tampa Electric Company authorizing in each case a total amount of securities not exceeding 10% of total assets on a consolidated basis are not filed herewith. Tampa Electric Company will furnish copies of such instruments to the Securities and Exchange Commission upon request.

#### **Executive Compensation Plans and Arrangements**

Exhibits 10.1 through 10.4, above are management contracts or compensatory plans or arrangements in which executive officers or directors of Tampa Electric Company participate.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TAMPA ELECTRIC COMPANY

Dated: February 14, 2022

By: /s/ Archie Collins  
Archie Collins  
President and Chief Executive Officer  
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on February 14, 2022:

<u>Signature</u>	<u>Title</u>
<u>/s/ Archie Collins</u> Archie Collins	President and Chief Executive Officer (Principal Executive Officer)
<u>/s/ Gregory W. Blunden</u> Gregory W. Blunden	Treasurer and Chief Financial Officer (Chief Accounting Officer) (Principal Financial and Accounting Officer)
<u>/s/ Scott Balfour</u> Scott Balfour	Chairman of the Board and Director
<u>/s/ Ana-Marie Codina Barlick</u> Ana-Marie Codina Barlick	Director
<u>/s/ Jacqueline Bradley</u> Jacqueline Bradley	Director
<u>/s/ Patrick J. Geraghty</u> Patrick J. Geraghty	Director
<u>/s/ Pamela D. Iorio</u> Pamela D. Iorio	Director
<u>/s/ Rhea F. Law</u> Rhea F. Law	Director
<u>/s/ Daniel Muldoon</u> Daniel Muldoon	Director
<u>/s/ Ralph Tedesco</u> Ralph Tedesco	Director
<u>/s/ Rasesh Thakkar</u> Rasesh Thakkar	Director
<u>/s/ Will Weatherford</u> Will Weatherford	Director

### Supplemental Information to Be Furnished With Reports Filed Pursuant to Section 15(d) of the Act by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Act

No annual report or proxy material has been sent to Tampa Electric Company's security holders because all of its equity securities are held by TECO Energy, Inc.

**Exhibit 23**

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statement (Form S-3 No.333-233336) of Tampa Electric Company and in the related Prospectus of our report dated February 14, 2022, with respect to the consolidated financial statements and financial statement schedule listed in the Index at Item 15(a) of Tampa Electric Company included in this Annual Report (Form 10-K) for the year ended December 31, 2021.

/s/ Ernst & Young LLP

Tampa, Florida  
February 14, 2022



Exhibit 31.1

**CERTIFICATIONS**

I, Archie Collins, certify that:

1. I have reviewed this annual report on Form 10-K of Tampa Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2022

/s/ ARCHIE COLLINS

ARCHIE COLLINS

President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATIONS**

I, Gregory W. Blunden, certify that:

1. I have reviewed this annual report on Form 10-K of Tampa Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2022

/s/ GREGORY W. BLUNDEN  
\_\_\_\_\_  
GREGORY W. BLUNDEN  
Treasurer and Chief Financial Officer  
(Chief Accounting Officer)  
(Principal Financial and Accounting Officer)

Exhibit 32

**TAMPA ELECTRIC COMPANY**

**Certification of Periodic Financial Report  
Pursuant to 18 U.S.C. Section 1350**

Each of the undersigned officers of Tampa Electric Company (the “Company”) certifies, under the standards set forth in and solely for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his or her knowledge, the Annual Report on Form 10-K of the Company for the year ended December 31, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 14, 2022

/s/ ARCHIE COLLINS

---

ARCHIE COLLINS  
President and Chief Executive Officer  
(Principal Executive Officer)

Dated: February 14, 2022

/s/ GREGORY W. BLUNDEN

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GREGORY W. BLUNDEN  
Treasurer and Chief Financial Officer  
(Chief Accounting Officer)  
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-K and shall not be considered filed as part of the Form 10-K.

## **Exhibit A-2**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission  
File No  
1-5007

Exact name of each registrant as specified in its charter, state of  
incorporation, address of principal executive offices, telephone number

I.R.S. Employer  
Identification Number  
59-0475140

TAMPA ELECTRIC COMPANY

(a Florida corporation)  
TECO Plaza  
702 N. Franklin Street  
Tampa, Florida 33602  
(813) 228-1111

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
None.		

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether Tampa Electric Company is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark whether Tampa Electric Company has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether Tampa Electric Company is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of August 8, 2022, there were 10 shares of Tampa Electric Company's common stock issued and outstanding, all of which were held, beneficially and of record, by TECO Energy, Inc.

Tampa Electric Company meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format specified in General Instruction H(2) of Form 10-Q.

## ACRONYMS

Acronyms used in this and other filings with the U.S. Securities and Exchange Commission in 2022 and 2021 include the following:

<u>Term</u>	<u>Meaning</u>
AFUDC	allowance for funds used during construction
AFUDC-debt	debt component of allowance for funds used during construction
AFUDC-equity	equity component of allowance for funds used during construction
APBO	accumulated postretirement benefit obligation
ARO	asset retirement obligation
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BCF	billion cubic feet
CCRs	coal combustion residuals
CMO	collateralized mortgage obligation
CNG	compressed natural gas
CO <sub>2</sub>	carbon dioxide
COVID-19	coronavirus disease 2019
CPI	consumer price index
CT	combustion turbine
D.C. Circuit Court	D.C. Circuit Court of Appeals
ECRC	environmental cost recovery clause
Emera	Emera Inc., a geographically diverse energy and services company headquartered in Nova Scotia, Canada and the indirect parent company of Tampa Electric Company
EPA	U.S. Environmental Protection Agency
ERISA	Employee Retirement Income Security Act
EROA	expected return on plan assets
EUSHI	Emera US Holdings Inc., a wholly owned subsidiary of Emera, which is the sole shareholder of TECO Energy's common stock
FASB	Financial Accounting Standards Board
FDEP	Florida Department of Environmental Protection
FERC	Federal Energy Regulatory Commission
FPSC	Florida Public Service Commission
GHG	greenhouse gas
IGCC	integrated gasification combined-cycle
IRS	Internal Revenue Service
ITCs	investment tax credits
kWac	kilowatt on an alternating current basis
LNG	liquefied natural gas
MBS	mortgage-backed securities
MD&A	the section of this report entitled Management's Discussion and Analysis of Financial Condition and Results of Operations
MGP	manufactured gas plant
MMBTU	one million British Thermal Units
MRV	market-related value
MW	megawatt(s)
MWH	megawatt-hour(s)
NAV	net asset value
Note	Note to consolidated financial statements
NPNS	normal purchase normal sale
O&M expenses	operations and maintenance expenses
OCI	other comprehensive income
OPC	Office of Public Counsel
OPEB	other postemployment benefits
Parent	TECO Energy, Inc., the direct parent company of Tampa Electric Company
PBGC	Pension Benefit Guarantee Corporation
PBO	projected benefit obligation
PGA	purchased gas adjustment
PGS	Peoples Gas System, the gas division of Tampa Electric Company

PPA	power purchase agreement
PRP	potentially responsible party
R&D	research and development
REIT	real estate investment trust
RFP	request for proposal
ROE	return on common equity
Regulatory ROE	return on common equity as determined for regulatory purposes
S&P	Standard and Poor's
SCR	selective catalytic reduction
SEC	U.S. Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SoBRAs	solar base rate adjustments
SPP	storm protection plan
STIF	short-term investment fund
Tampa Electric	Tampa Electric, the electric division of Tampa Electric Company
TEC	Tampa Electric Company
TECO Energy	TECO Energy, Inc., the direct parent company of Tampa Electric Company
TSI	TECO Services, Inc.
U.S. GAAP	generally accepted accounting principles in the United States

#### **CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION**

This Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by TEC include those factors discussed herein, including those factors discussed with respect to TEC in (1) TEC's 2021 Annual Report on Form 10-K in (a) Part I, Item 1A. Risk Factors, (b) Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part II, Item 8. Financial Statements: Note 8, Commitments and Contingencies; (2) this Quarterly Report on Form 10-Q in (a) Part 1, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (b) Part 1, Item 1. Financial Statements: Note 8, Commitments and Contingencies, and (3) other factors discussed in filings with the SEC by TEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Report. TEC does not undertake any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this Form 10-Q.

All references to "dollars" and "\$" in this and other filings with the U.S. Securities and Exchange Commission are references to U.S. dollars, unless specifically indicated otherwise.

**PART I. FINANCIAL INFORMATION**  
**Item 1. FINANCIAL STATEMENTS**

**TAMPA ELECTRIC COMPANY**  
**Consolidated Condensed Balance Sheets**  
**Unaudited**

<i>Assets</i> <i>(millions)</i>	<i>June 30,</i> <i>2022</i>	<i>December 31,</i> <i>2021</i>
<b>Property, plant and equipment</b>		
Utility plant		
Electric	\$ 11,940	\$ 11,563
Gas	2,779	2,626
Utility plant, at original costs	14,719	14,189
Accumulated depreciation	(3,741)	(3,601)
Utility plant, net	10,978	10,588
Other property	14	14
Total property, plant and equipment, net	10,992	10,602
<b>Current assets</b>		
Cash and cash equivalents	11	18
Receivables, less allowance for credit losses of \$5 and \$7 at June 30, 2022 and December 31, 2021, respectively	334	254
Due from affiliates	36	8
Inventories, at average cost		
Fuel	16	20
Materials and supplies	144	121
Regulatory assets	305	136
Prepayments and other current assets	25	22
Total current assets	871	579
<b>Deferred debits</b>		
Regulatory assets	843	866
Other	158	149
Total deferred debits	1,001	1,015
<b>Total assets</b>	<u>\$ 12,864</u>	<u>\$ 12,196</u>

The accompanying notes are an integral part of the consolidated condensed financial statements.



**TAMPA ELECTRIC COMPANY**  
**Consolidated Condensed Balance Sheets - continued**  
**Unaudited**

<i>Liabilities and Capitalization</i> <i>(millions)</i>	<i>June 30,</i> <i>2022</i>	<i>December 31,</i> <i>2021</i>
<b>Capitalization</b>		
Common stock	\$ 4,750	\$ 4,470
Accumulated other comprehensive loss	(1)	(1)
Retained earnings	384	323
Total capital	5,133	4,792
Long-term debt	3,607	3,136
Total capitalization	8,740	7,928
<b>Current liabilities</b>		
Long-term debt due within one year	250	250
Notes payable	500	745
Accounts payable	356	390
Due to affiliates	37	44
Customer deposits	136	132
Regulatory liabilities	63	78
Accrued interest	20	18
Accrued taxes	67	19
Other	54	51
Total current liabilities	1,483	1,727
<b>Long-term liabilities</b>		
Deferred income taxes	885	858
Regulatory liabilities	1,121	1,092
Investment tax credits	298	249
Deferred credits and other liabilities	337	342
Total long-term liabilities	2,641	2,541
<b>Commitments and Contingencies</b> (see Note 8)		
<b>Total liabilities and capitalization</b>	<b>\$ 12,864</b>	<b>\$ 12,196</b>

The accompanying notes are an integral part of the consolidated condensed financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Condensed Statements of Income and Comprehensive Income**  
**Unaudited**

<i>(millions)</i>	<i>Three months ended June 30,</i>	
	<i>2022</i>	<i>2021</i>
<b>Revenues</b>		
Electric	\$ 662	\$ 531
Gas	159	123
Total revenues	821	654
<b>Expenses</b>		
Fuel	190	129
Purchased power	34	26
Cost of natural gas sold	65	33
Operations and maintenance	149	139
Depreciation and amortization	107	107
Taxes, other than income	66	56
Total expenses	611	490
<b>Income from operations</b>	210	164
<b>Other income</b>		
Allowance for equity funds used during construction	9	10
Other income, net	3	2
Total other income	12	12
<b>Interest charges</b>		
Interest expense	40	39
Allowance for borrowed funds used during construction	(2)	(5)
Total interest charges	38	34
<b>Income before provision for income taxes</b>	184	142
Provision for income taxes	39	21
<b>Net income</b>	\$ 145	\$ 121
<b>Comprehensive income</b>	\$ 145	\$ 121

The accompanying notes are an integral part of the consolidated condensed financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Condensed Statements of Income and Comprehensive Income**  
**Unaudited**

<i>(millions)</i>	<i>Six months ended June 30,</i>	
	<i>2022</i>	<i>2021</i>
<b>Revenues</b>		
Electric	\$ 1,171	\$ 977
Gas	341	276
Total revenues	1,512	1,253
<b>Expenses</b>		
Fuel	318	238
Purchased power	41	44
Cost of natural gas sold	137	83
Operations and maintenance	296	267
Depreciation and amortization	212	213
Taxes, other than income	127	110
Total expenses	1,131	955
<b>Income from operations</b>	381	298
<b>Other income</b>		
Allowance for equity funds used during construction	17	20
Other income, net	6	3
Total other income	23	23
<b>Interest charges</b>		
Interest expense	78	77
Allowance for borrowed funds used during construction	(5)	(10)
Total interest charges	73	67
<b>Income before provision for income taxes</b>	331	254
Provision for income taxes	68	41
<b>Net income</b>	\$ 263	\$ 213
<b>Comprehensive income</b>	\$ 263	\$ 213

The accompanying notes are an integral part of the consolidated condensed financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Condensed Statements of Cash Flows**  
**Unaudited**

<i>(millions)</i>	<i>Six months ended June 30,</i> <i>2022</i>	<i>2021</i>
<b>Cash flows from operating activities</b>		
Net income	\$ 263	\$ 213
Adjustments to reconcile net income to cash from operating activities:		
Depreciation and amortization	212	213
Deferred income taxes and investment tax credits	64	27
Allowance for equity funds used during construction	(17)	(20)
Deferred recovery clauses	(145)	(10)
Receivables, less allowance for credit losses	(87)	(43)
Inventories	(19)	(2)
Prepayments and other deposits	(1)	(11)
Taxes accrued	18	20
Accounts payable	(7)	(45)
Regulatory assets and liabilities	12	(2)
Other	1	6
Cash flows from operating activities	<u>294</u>	<u>346</u>
<b>Cash flows used in investing activities</b>		
Capital expenditures	(607)	(588)
Net proceeds from sale of assets	3	0
Cash flows used in investing activities	<u>(604)</u>	<u>(588)</u>
<b>Cash flows from financing activities</b>		
Equity contributions from Parent	280	290
Proceeds from long-term debt issuance	0	790
Repayment of long-term debt	0	(278)
Net increase (decrease) in short-term debt (maturities of 90 days or less)	225	(65)
Repayment of other short-term debt (maturities over 90 days)	0	(300)
Dividends to Parent	(202)	(181)
Cash flows from financing activities	<u>303</u>	<u>256</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(7)</u>	<u>14</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>18</u>	<u>10</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 11</u>	<u>\$ 24</u>
<b>Supplemental disclosure of non-cash activities</b>		
Change in accrued capital expenditures	\$ (22)	\$ (20)
Reclassification of short-term debt from current to long-term	\$ 470	\$ 0

The accompanying notes are an integral part of the consolidated condensed financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Condensed Statements of Capital**  
**Unaudited**

<i>(millions, except share amounts)</i>	Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Capital
<b><u>Three months ended June 30, 2022</u></b>					
Balance, March 31, 2022	10	4,645	\$ 356	\$ (1)	\$ 5,000
Net income			145		145
Equity contributions from Parent		105			105
Dividends to Parent			(117)		(117)
Balance, June 30, 2022	<u>10</u>	<u>\$ 4,750</u>	<u>\$ 384</u>	<u>\$ (1)</u>	<u>\$ 5,133</u>
<b><u>Three months ended June 30, 2021</u></b>					
Balance, March 31, 2021	10	4,045	\$ 331	\$ (1)	\$ 4,375
Net income			121		121
Equity contributions from Parent		135			135
Dividends to Parent			(93)		(93)
Balance, June 30, 2021	<u>10</u>	<u>\$ 4,180</u>	<u>\$ 359</u>	<u>\$ (1)</u>	<u>\$ 4,538</u>
<b><u>Six months ended June 30, 2022</u></b>					
Balance, December 31, 2021	10	4,470	\$ 323	\$ (1)	\$ 4,792
Net income			263		263
Equity contributions from Parent		280			280
Dividends to Parent			(202)		(202)
Balance, June 30, 2022	<u>10</u>	<u>\$ 4,750</u>	<u>\$ 384</u>	<u>\$ (1)</u>	<u>\$ 5,133</u>
<b><u>Six months ended June 30, 2021</u></b>					
Balance, December 31, 2020	10	3,890	\$ 327	\$ (1)	\$ 4,216
Net income			213		213
Equity contributions from Parent		290			290
Dividends to Parent			(181)		(181)
Balance, June 30, 2021	<u>10</u>	<u>\$ 4,180</u>	<u>\$ 359</u>	<u>\$ (1)</u>	<u>\$ 4,538</u>

The accompanying notes are an integral part of the consolidated condensed financial statements.

**TAMPA ELECTRIC COMPANY  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
UNAUDITED**

**1. Summary of Significant Accounting Policies**

See TEC's Annual Report on Form 10-K for the year ended December 31, 2021 for a complete discussion of accounting policies. The significant accounting policies for TEC include:

**Principles of Consolidation and Basis of Presentation**

TEC is a wholly owned subsidiary of TECO Energy, which is an indirect, wholly owned subsidiary of Emera. TEC is comprised of the electric division, referred to as Tampa Electric, and the natural gas division, referred to as PGS.

Intercompany balances and transactions within the divisions have been eliminated in consolidation. In the opinion of management, the unaudited consolidated condensed financial statements include all adjustments that are of a recurring nature and necessary to state fairly the financial position of TEC as of June 30, 2022 and December 31, 2021, and the results of operations and cash flows for the periods ended June 30, 2022 and 2021. The results of operations for the three and six months ended June 30, 2022 are not necessarily indicative of the results that can be expected for the entire fiscal year ending December 31, 2022.

The use of estimates is inherent in the preparation of financial statements in accordance with U.S. GAAP. Actual results could differ from these estimates. The year-end Consolidated Condensed Balance Sheet was derived from audited financial statements; however, this quarterly report on Form 10-Q does not include all year-end disclosures required for an annual report on Form 10-K by U.S. GAAP.

**Receivables and Allowance for Credit Losses**

Receivables from contracts with customers, which consist of services to residential, commercial, industrial and other customers, were \$333 million and \$252 million as of June 30, 2022 and December 31, 2021, respectively. An allowance for credit losses is established based on TEC's collection experience and reasonable and supportable forecasts that affect the collectibility of the reported amount. Circumstances that could affect Tampa Electric's and PGS's estimates of credit losses include, but are not limited to, customer credit issues, generating fuel prices, customer deposits and general economic conditions. Accounts are reserved in the allowance or written off once they are deemed to be uncollectible.

As of June 30, 2022 and December 31, 2021, unbilled revenues of \$95 million and \$74 million, respectively, are included in the "Receivables" line item on the Consolidated Condensed Balance Sheets.

**Accounting for Franchise Fees and Gross Receipts**

Tampa Electric and PGS are allowed to recover certain costs from customers on a dollar-for-dollar basis through rates approved by the FPSC. The amounts included in customers' bills for franchise fees and gross receipt taxes are included as revenues on the Consolidated Condensed Statements of Income. Franchise fees and gross receipt taxes payable by Tampa Electric and PGS are included as an expense on the Consolidated Condensed Statements of Income in "Taxes, other than income". These amounts totaled \$37 million and \$31 million for the three months ended June 30, 2022 and 2021, respectively, and totaled \$69 million and \$60 million for the six months ended June 30, 2022 and 2021, respectively.

**2. New Accounting Pronouncements**

TEC considers the applicability and impact of all ASUs issued by the FASB. The ASUs that have been issued, but that are not yet effective, were assessed and determined to be either not applicable to TEC or have an insignificant impact on the consolidated condensed financial statements.

**3. Regulatory**

**Tampa Electric Base Rates**

On August 6, 2021, Tampa Electric filed with the FPSC a joint motion for approval of a settlement agreement dated as of August 6, 2021 (the Settlement Agreement) by and among Tampa Electric and the intervenors in Tampa Electric's rate case filed with the FPSC in April 2021. The Settlement Agreement agrees to an increase in base rates annually effective with January 2022 bills, to generate a \$191 million increase in revenue consisting of \$123 million of traditional base rate charges and \$68 million in a new charge to recover the costs of retiring assets. The Settlement Agreement further includes two subsequent year adjustments of \$90 million and \$21 million, effective January 2023 and January 2024, respectively. Under the agreement, the allowed equity in the capital structure

will continue to be 54% from investor sources of capital. The Settlement Agreement includes an allowed regulatory ROE range of 9.0% to 11.0% with a 9.95% midpoint. The Settlement Agreement allows a 25 basis point increase in the allowed ROE range and midpoint, and \$10 million of additional revenue, if the average 30-year United States Treasury Bond yield rate for any period of six consecutive months is at least 50 basis points greater than the yield rate on the date the FPSC votes to approve the agreement. Under the agreement, base rates will not change from January 1, 2022 through December 31, 2024, unless Tampa Electric's earned ROE were to fall below the bottom of the range during that time. The Settlement Agreement contains a provision whereby Tampa Electric agrees to quantify the future impact of a decrease or increase in corporate income tax rates on net operating income through a reduction or increase in base revenues within 180 days of when such tax change becomes law or its effective date. The Settlement Agreement further creates a mechanism to recover the costs of retiring coal generation units and meter assets over a period of 15 years which survives the term of that agreement. The Settlement Agreement sets new depreciation and dismantlement rates effective January 1, 2022 and contains the provisions that Tampa Electric will not have to file another depreciation study during the term of the agreement but will file a new depreciation study no more than one year, nor less than 90 days, before the filing of its next general base rate proceeding. Additionally, Tampa Electric agreed to a financial hedging moratorium for natural gas ending on December 31, 2024. On October 21, 2021, the FPSC approved the Settlement Agreement and the final order, reflecting such approval, was issued on November 10, 2021.

Tampa Electric's Settlement Agreement provides recovery for the Big Bend modernization project in two phases. The first phase is a revenue increase to cover the costs of the assets in service during 2022, among other items. The remainder of the project costs will be recovered as part of the 2023 subsequent year adjustment. The Settlement Agreement also includes a new charge to recover the remaining costs of the retiring Big Bend coal generation assets, Units 1 through 3, which will be spread over 15 years and will survive the term of the Settlement Agreement. The special capital recovery schedule for all three units was applied beginning January 1, 2022.

#### **Tampa Electric ROE Adjustment**

Tampa Electric's 2021 settlement agreement provision allows Tampa Electric to request a revenue and ROE increase due to increases in the 30-year U.S. Treasury bond yield rate. On July 1, 2022, Tampa Electric requested to adjust its base rates to collect an additional \$10 million annually (prorated in the first year) and increase its mid-point ROE and upper and lower allowed ranges. If approved, the new mid-point ROE will be 10.20%, and the range will be 9.25% to 11.25% effective July 1, 2022. The FPSC is expected to issue a decision in August 2022.

#### **Tampa Electric Mid-Course Adjustment to Fuel Recovery**

In January 2022, Tampa Electric requested a mid-course adjustment to its fuel and capacity charges to recover an additional \$169 million beginning April 1, 2022 through December 2022 due to an increase in fuel commodity and capacity costs. On March 1, 2022, the FPSC voted to approve the mid-course adjustment, and the order reflecting such approval was issued on March 18, 2022.

#### **Tampa Electric Storm Protection Cost Recovery Clause and Settlement Agreement**

On October 3, 2019, the FPSC issued a rule to implement a Storm Protection Plan (SPP) Cost Recovery Clause. This clause provides a process for Florida investor-owned utilities, including Tampa Electric, to recover transmission and distribution storm hardening costs for incremental activities not already included in base rates. A settlement agreement was approved on August 10, 2020 and Tampa Electric's cost recovery began in January 2021. The current approved plan addresses the years 2020, 2021 and 2022, and in April 2022 Tampa Electric submitted a new plan to determine cost recovery in 2023, 2024, and 2025.

#### **PGS Base Rates**

On June 8, 2020, PGS filed a petition for an increase in rates and service charges effective January 2021. On November 19, 2020, the FPSC approved a settlement agreement filed by PGS and OPC. The settlement agreement provides for an increase in base rates by \$58 million annually effective January 2021, which is a \$34 million increase in revenue and \$24 million increase of revenues previously recovered through the cast iron and bare steel replacement rider. This settlement agreement includes an allowed regulatory ROE range of 8.90% to 11.00% with a 9.90% midpoint, including the ability to reverse a total of \$34 million of accumulated depreciation through 2023. During the three and six months ended June 30, 2022, PGS reversed \$5 million and \$10 million, respectively, of the \$34 million accumulated depreciation. No amounts were reversed prior to 2022. In addition, the agreement set new depreciation rates effective January 1, 2021 that are consistent with PGS's current overall average depreciation rate. Under the agreement, base rates are frozen from January 1, 2021 to December 31, 2023, unless its earned ROE were to fall below 8.90% before that time with an allowed equity in the capital structure of 54.7% from investor sources of capital.

## PGS Mid-Course Adjustment to Fuel Recovery

In May 2022, PGS filed a request with the FPSC for a mid-course correction to its 2022 purchased gas adjustment (PGA) factor cap. The request was initiated due to an increase in the price of natural gas. The PGA factor serves as a cap on the rate charged to customers and may be adjusted monthly. On July 7, 2022, the FPSC voted to approve the mid-course adjustment. Effective August 1, 2022, the PGA cap will change from \$1.19163 per therm to \$1.70492 per therm. Since the PGA is an approved range, the impact will depend on fluctuations in natural gas pricing and customer usage. At June 30, 2022, PGS was not in an under recovery position.

## Regulatory Assets and Liabilities

Details of the regulatory assets and liabilities are presented in the following table:

<u>Regulatory Assets and Liabilities</u> <i>(millions)</i>	<u>June 30, 2022</u>	<u>December 31, 2021</u>
<b>Regulatory assets:</b>		
Regulatory tax asset <sup>(1)</sup>	\$ 129	\$ 117
Cost-recovery clauses <sup>(2)</sup>	243	89
Capital cost recovery for early retired assets <sup>(3)</sup>	508	518
Environmental remediation <sup>(4)</sup>	22	22
Postretirement benefits <sup>(5)</sup>	219	230
Asset retirement obligation <sup>(6)</sup>	12	11
Other	15	15
Total regulatory assets	1,148	1,002
Less: Current portion	305	136
Long-term regulatory assets	<u>\$ 843</u>	<u>\$ 866</u>
<b>Regulatory liabilities:</b>		
Regulatory tax liability <sup>(7)</sup>	\$ 638	\$ 638
Cost-recovery clauses - deferred balances <sup>(2)</sup>	26	16
Accumulated reserve - cost of removal <sup>(8)</sup>	472	468
Storm reserve <sup>(9)</sup>	46	46
Other	2	2
Total regulatory liabilities	1,184	1,170
Less: Current portion	63	78
Long-term regulatory liabilities	<u>\$ 1,121</u>	<u>\$ 1,092</u>

- (1) The regulatory tax asset is primarily associated with the depreciation and recovery of AFUDC-equity. This asset does not earn a return but rather is included in the capital structure, which is used in the calculation of the weighted cost of capital used to determine revenue requirements. It will be recovered over the expected life of the related assets. The regulatory tax asset balance reflects the impact of the federal corporate income tax rate reduction.
- (2) These assets and liabilities are related to FPSC clauses and riders. They are recovered or refunded through cost-recovery mechanisms approved by the FPSC on a dollar-for-dollar basis in a subsequent period.
- (3) This regulatory asset is related to the remaining net book value of Big Bend Units 1 through 3 and smart meter assets that were retired. The balance earns a rate of return as permitted by the FPSC and will be recovered as a separate line item on customer bills for a period of 15 years. See "Tampa Electric Base Rates" above for further information.
- (4) This asset is related to costs associated with environmental remediation primarily at MGP sites. The balance is included in rate base, partially offsetting the related liability, and earns a rate of return as permitted by the FPSC. The timing of recovery is based on a settlement agreement approved by the FPSC.
- (5) This asset is related to the deferred costs of postretirement benefits and it is amortized over the remaining service life of plan participants. Deferred costs of postretirement benefits that are included in expense are recognized as cost of service for rate-making purposes as permitted by the FPSC.
- (6) This asset is related to costs associated with an asset retirement obligation, which is a legal obligation for the future retirement of certain tangible, long-lived assets. This regulatory asset does not earn a return because it is offset with related assets and



liabilities within rate base. It is recovered and removed as the obligation is settled and removed as the activities for the retirement of the related assets have been completed.

- (7) The regulatory tax liability is primarily related to the revaluation of TEC's deferred income tax balances recorded on December 31, 2017 at the lower corporate income tax rate due to U.S. tax reform. The liability related to the revaluation of the deferred income tax balances is amortized and returned to customers through rate reductions or other revenue offsets based on IRS regulations and the settlement agreement for tax reform benefits approved by the FPSC.
- (8) This item represents the non-ARO cost of removal in the accumulated reserve for depreciation. AROs are costs for legally required removal of property, plant and equipment. Non-ARO cost of removal represents estimated funds received from customers through depreciation rates to cover future non-legally required cost of removal of property, plant and equipment, net of salvage value upon retirement, which reduces rate base for ratemaking purposes. This liability is reduced as costs of removal are incurred.
- (9) As a result of Tampa Electric's 2013 rate case settlement, in the event of a named storm that results in damage to its system, Tampa Electric can petition the FPSC to seek recovery of those costs over a 12-month period or longer as determined by the FPSC, as well as replenish its reserve to \$56 million, the level of the reserve as of October 31, 2013. This provision was also included in Tampa Electric's subsequent 2017 amended and restated settlement agreement and in Tampa Electric's 2021 rate case settlement agreement. In 2021, 2020 and 2019, Tampa Electric incurred total storm restoration preparation costs for multiple hurricanes of approximately \$10 million, which was charged to the storm reserve regulatory liability.

#### **4. Income Taxes**

##### **Income Tax Expense**

TEC is included in a consolidated U.S. federal income tax return with EUSHI and its subsidiaries. TEC's income tax expense is based upon a separate return method, modified for the benefits-for-loss allocation in accordance with respective tax sharing agreements with TECO Energy and EUSHI. To the extent that TEC's cash tax positions are settled differently than the amount reported as realized under the tax sharing agreement, the difference is reflected in common stock.

TEC's effective tax rates for the six months ended June 30, 2022 and 2021 were 20.5% and 16.1%, respectively. The June 30, 2022 and 2021 effective tax rates are an estimate of the annual effective income tax rate. TEC's effective tax rate for the six months ended June 30, 2022 and 2021 differed from the statutory rate principally due to the amortization of the regulatory tax liability resulting from tax reform. The effective tax rate for the six months ended June 30, 2022 is higher compared to the same period in 2021 primarily due to lower tax benefit from the amortization of the regulatory tax liability and lower amortization of investment tax credits. See **Note 3** for further information regarding the regulatory tax liability.

##### **Unrecognized Tax Benefits**

As of June 30, 2022 and December 31, 2021, the amount of unrecognized tax benefits was \$7 million and \$6 million, respectively, all of which was recorded as a reduction of deferred income tax assets for tax credit carryforwards. TEC had \$7 million and \$6 million of unrecognized tax benefits at June 30, 2022 and December 31, 2021, respectively, that, if recognized, would reduce TEC's effective tax rate.

## 5. Employee Postretirement Benefits

TEC is a participant in the comprehensive retirement plans of TECO Energy. The following table presents detail related to TECO Energy's periodic benefit cost for pension and other postretirement benefits. Amounts disclosed for TECO Energy's pension benefits include the amounts related to its qualified pension plan and non-qualified, non-contributory SERP and Restoration Plan.

### **TECO Energy Benefit Cost**

(millions)

Three months ended June 30,

	Pension Benefits		Other Postretirement Benefits	
	2022	2021	2022	2021
<b>Components of net periodic benefit cost</b>				
Service cost	\$ 5	\$ 6	\$ 1	\$ 1
Interest cost	6	6	2	2
Expected return on assets	(13)	(13)	0	0
Amortization of:				
Actuarial loss (gain)	5	5	(1)	(1)
Settlement cost	1	0	0	0
Net periodic benefit cost	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 2</u>	<u>\$ 2</u>

Six months ended June 30,

<b>Components of net periodic benefit cost</b>				
Service cost	\$ 9	\$ 11	\$ 1	\$ 1
Interest cost	12	11	3	3
Expected return on assets	(26)	(26)	0	0
Amortization of:				
Actuarial loss (gain)	9	11	0	0
Settlement cost	1	0	0	0
Net periodic benefit cost	<u>\$ 5</u>	<u>\$ 7</u>	<u>\$ 4</u>	<u>\$ 4</u>

TEC's portion of the net periodic benefit cost for the three months ended June 30, 2022 and 2021, respectively, was \$3 million and \$2 million for pension benefits, and \$3 million and \$3 million for other postretirement benefits. TEC's portion of the net periodic benefit cost for the six months ended June 30, 2022 and 2021, respectively, was \$4 million and \$5 million for pension benefits, and \$5 million and \$5 million for other postretirement benefits. TEC's portion of net periodic benefit costs for pension and other benefits is included as an expense on the Consolidated Condensed Statements of Income in "Operations & maintenance".

TECO Energy assumed a long-term EROA of 6.50% and a discount rate of 2.78% for pension benefits under its qualified pension plan for 2022. For TECO Energy's other postretirement benefits, TECO Energy used a discount rate of 2.84% for 2022.

TECO Energy made contributions of \$9 million and \$11 million to its qualified pension plan in the six months ended June 30, 2022 and 2021, respectively. TEC's portion of these contributions was \$8 million and \$9 million, respectively. TECO Energy expects to make contributions to the pension plan of \$10 million for the remainder of 2022. TEC estimates its portion of the remaining 2022 contribution to be \$7 million.

Included in the benefit cost discussed above, for the three and six months ended June 30, 2022, \$5 million and \$9 million, respectively, of unamortized prior service benefits and costs and actuarial gains and losses were reclassified by TEC from regulatory assets to the Consolidated Condensed Statement of Income, compared with \$5 million and \$11 million for the three and six months ended June 30, 2021, respectively.

## 6. Short-Term Debt

Details of TEC's short-term borrowings are presented in the following table:

(millions)	June 30, 2022				December 31, 2021			
	Credit Facilities	Borrowings Outstanding - Credit Facilities <sup>(1)</sup>	Borrowings Outstanding - Commercial Paper	Letters of Credit Outstanding	Credit Facilities	Borrowings Outstanding - Credit Facilities <sup>(1)</sup>	Borrowings Outstanding - Commercial Paper <sup>(1)</sup>	Letters of Credit Outstanding
5-year facility <sup>(2)</sup>	\$ 800	\$ 0	<sup>(3)</sup> \$ 470	\$ 1	\$ 800	\$ 0	\$ 245	\$ 1
1-year term facility <sup>(4)</sup>	500	500	0	0	500	500	0	0
<b>Total</b>	<u>\$ 1,300</u>	<u>\$ 500</u>	<u>\$ 470</u>	<u>\$ 1</u>	<u>\$ 1,300</u>	<u>\$ 500</u>	<u>\$ 245</u>	<u>\$ 1</u>

- (1) Borrowings outstanding are reported as notes payable.
- (2) This 5-year facility matures on December 17, 2026. TEC also has an active commercial paper program for up to \$800 million, of which the full amount outstanding is backed by TEC's credit facility. The amount of commercial paper issued results in an equal amount of its credit facility being considered drawn and unavailable.
- (3) On July 12, 2022, TEC issued long-term debt and a portion of the proceeds were used to repay TEC's \$470 million commercial paper balance. Therefore, the \$470 million commercial paper balance was classified as a long-term debt on TEC's consolidated balance sheet as of June 30, 2022.
- (4) On December 17, 2021, TEC entered into a 1-year term facility that matures on December 16, 2022.

At June 30, 2022, these credit facilities required a commitment fee of 12.5 basis points. The weighted-average interest rate on borrowings outstanding under the credit facilities and commercial paper at June 30, 2022 and December 31, 2021 was 2.11% and 0.58%, respectively.

## 7. Long-Term Debt

### Fair Value of Long-Term Debt

At June 30, 2022, TEC's long-term debt, including the current portion, had a carrying amount of \$3,857 million and an estimated fair market value of \$3,605 million. At December 31, 2021, TEC's total long-term debt, including the current portion, had a carrying amount of \$3,386 million and an estimated fair market value of \$4,036 million. The fair value of the debt securities is determined using Level 2 measurements (see **Note 11** for information regarding the fair value hierarchy).

### TEC 3.875% Notes due 2024 and 5.00% Notes due 2052

On July 12, 2022, TEC completed a sale of (i) \$300 million aggregate principal amount of 3.875% Notes due July 12, 2024 (the 2024 Notes) and (ii) \$300 million aggregate principal amount of 5.00% Notes due July 15, 2052 (the 2052 Notes, and collectively, the Notes). Until July 12, 2024, in the case of the 2024 Notes, or January 15, 2052, in the case of the 2052 Notes, TEC may redeem all or any part of such series of Notes at its option at a redemption price equal to the greater of (i) 100% of the principal amount of such series of Notes to be redeemed or (ii) the sum of the present values of the remaining payments of principal and interest on the Notes to be redeemed that would be due if the Notes matured on (a) July 12, 2024, in the case of the 2024 Notes, discounted to the redemption date on a semiannual basis at the applicable treasury rate (as defined in the Indenture), plus 15 basis points, or (b) January 15, 2052, in the case of the 2052 Notes, discounted to the redemption date on a semiannual basis at the applicable treasury rate, plus 30 basis points; in either case, the redemption price would include accrued and unpaid interest to the redemption date. At any time on or after January 15, 2052, in the case of the 2052 Notes, TEC may, at its option, redeem such series of the Notes, in whole or in part, at 100% of the principal amount of such series of the Notes being redeemed plus accrued and unpaid interest thereon to, but excluding, the date of redemption. The proceeds were used for general corporate purposes and to repay TEC's \$470 million commercial paper outstanding at June 30, 2022. Therefore, the \$470 million commercial paper balance was classified as long-term debt on TEC's consolidated balance sheet as of June 30, 2022.

## 8. Commitments and Contingencies

### Legal Contingencies

From time to time, TEC and its subsidiaries are involved in various legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies in the ordinary course of business. Where appropriate, accruals are made in accordance with accounting standards for contingencies to provide for matters that are probable of resulting in an estimable loss.

### Superfund and Former Manufactured Gas Plant Sites

TEC, through its Tampa Electric and PGS divisions, is a PRP for certain superfund sites and, through its PGS division, for certain former MGP sites. While the joint and several liability associated with these sites presents the potential for significant response costs, as of June 30, 2022 and December 31, 2021, TEC has estimated its ultimate financial liability to be \$14 million, primarily at PGS. This amount has been accrued and is primarily reflected in the long-term liability section under “Deferred credits and other liabilities” on the Consolidated Condensed Balance Sheets. The environmental remediation costs associated with these sites are expected to be paid over many years.

The estimated amounts represent only the portion of the cleanup costs attributable to TEC. The estimates to perform the work are based on TEC’s experience with similar work, adjusted for site-specific conditions and agreements with the respective governmental agencies. The estimates are made in current dollars, are not discounted and do not assume any insurance recoveries.

In instances where other PRPs are involved, most of those PRPs are creditworthy and are likely to continue to be creditworthy for the duration of the remediation work. However, in those instances that they are not, TEC could be liable for more than TEC’s currently assessed percentage of the remediation costs.

Factors that could impact these estimates include the ability of other PRPs to pay their pro-rata portion of the cleanup costs, additional testing and investigation which could expand the scope of the cleanup activities, additional liability that might arise from the cleanup activities themselves or changes in laws or regulations that could require additional remediation. Under current regulations, these costs are recoverable through customer rates established in subsequent base rate proceedings. See **Note 3** for information regarding the related regulatory asset.

### Long-Term Commitments

TEC has commitments for various purchases as disclosed below, including payment obligations under contractual agreements for fuel, fuel transportation and power purchases that are recovered from customers under regulatory clauses. The following is a schedule of future payments under PPAs, minimum lease payments with non-cancelable lease terms in excess of one year, and other net purchase obligations/commitments at June 30, 2022:

	Purchased		Capital	Fuel and Gas Supply	Long-term Service Agreements	Operating Leases	Demand Side Management	Total
(millions)	Power	Transportation	Projects					
2022	\$ 33	\$ 119	\$ 241	\$ 287	\$ 24	\$ 1	\$ 3	\$ 708
2023	0	235	153	44	30	3	1	466
2024	0	231	63	0	28	3	1	326
2025	0	218	1	0	20	2	1	242
2026	0	214	0	0	21	1	0	236
Thereafter	0	1,876	0	0	52	48	0	1,976
Total future minimum payments	\$ 33	\$ 2,893	\$ 458	\$ 331	\$ 175	\$ 58	\$ 6	\$ 3,954

### Debt Covenants

TEC must meet certain financial tests, including a debt to capital ratio, as defined in the applicable debt agreements and has certain restrictive covenants in specific agreements and debt instruments. At June 30, 2022, TEC was in compliance with all required covenants.

## 9. Segment Information

(millions)	Tampa Electric	PGS	Eliminations	Tampa Electric Company
<i>Three months ended June 30,</i>				
<b>2022</b>				
Revenues - external	\$ 662	\$ 159	\$ 0	\$ 821
Intracompany sales	1	1	(2)	0
Total revenues	663	160	(2)	821
Total interest charges	32	6	0	38
Net income	\$ 126	\$ 19	\$ 0	\$ 145
<b>2021</b>				
Revenues - external	\$ 531	\$ 123	\$ 0	\$ 654
Intracompany sales	1	0	(1)	0
Total revenues	532	123	(1)	654
Total interest charges	29	5	0	34
Net income	\$ 102	\$ 19	\$ 0	\$ 121
<i>Six months ended June 30,</i>				
<b>2022</b>				
Revenues - external	\$ 1,171	\$ 341	\$ 0	\$ 1,512
Intracompany sales	2	2	(4)	0
Total revenues	1,173	343	(4)	1,512
Total interest charges	62	11	0	73
Net income	\$ 214	\$ 49	\$ 0	\$ 263
<b>2021</b>				
Revenues - external	\$ 977	\$ 276	\$ 0	\$ 1,253
Intracompany sales	2	2	(4)	0
Total revenues	979	278	(4)	1,253
Total interest charges	57	10	0	67
Net income	\$ 167	\$ 46	\$ 0	\$ 213
<b>Total assets at June 30, 2022</b>	<b>\$ 11,234</b>	<b>\$ 2,336</b>	<b>\$ (706) <sup>(1)</sup></b>	<b>\$ 12,864</b>
<b>Total assets at December 31, 2021</b>	<b>\$ 10,650</b>	<b>\$ 2,209</b>	<b>\$ (663) <sup>(1)</sup></b>	<b>\$ 12,196</b>

(1) Amounts primarily relate to consolidated deferred tax reclassifications. Deferred tax assets are reclassified and netted with deferred tax liabilities upon consolidation.

## 10. Revenue

The following disaggregates TEC's revenue by major source:

<i>(millions)</i>	Tampa Electric	PGS	Eliminations	Tampa Electric Company
<u>Three months ended June 30, 2022</u>				
<b>Electric revenue</b>				
Residential	\$ 348	\$ 0	\$ 0	\$ 348
Commercial	170	0	0	170
Industrial	47	0	0	47
Regulatory deferrals and unbilled revenue	16	0	0	16
Other <sup>(1)</sup>	82	0	(1)	81
Total electric revenue	663	0	(1)	662
<b>Gas revenue</b>				
Residential	0	50	0	50
Commercial	0	49	0	49
Industrial <sup>(2)</sup>	0	8	0	8
Other <sup>(3)</sup>	0	53	(1)	52
Total gas revenue	0	160	(1)	159
<b>Total revenue</b>	<u>\$ 663</u>	<u>\$ 160</u>	<u>\$ (2)</u>	<u>\$ 821</u>
<u>Three months ended June 30, 2021</u>				
<b>Electric revenue</b>				
Residential	\$ 276	\$ 0	\$ 0	\$ 276
Commercial	144	0	0	144
Industrial	41	0	0	41
Regulatory deferrals and unbilled revenue	11	0	0	11
Other <sup>(1)</sup>	60	0	(1)	59
Total electric revenue	532	0	(1)	531
<b>Gas revenue</b>				
Residential	0	49	0	49
Commercial	0	46	0	46
Industrial <sup>(2)</sup>	0	6	0	6
Other <sup>(3)</sup>	0	22	0	22
Total gas revenue	0	123	0	123
<b>Total revenue</b>	<u>\$ 532</u>	<u>\$ 123</u>	<u>\$ (1)</u>	<u>\$ 654</u>

(millions)	Tampa Electric	PGS	Eliminations	Tampa Electric Company
<i>Six months ended June 30, 2022</i>				
<b>Electric revenue</b>				
Residential	\$ 618	\$ 0	\$ 0	\$ 618
Commercial	307	0	0	307
Industrial	84	0	0	84
Regulatory deferrals and unbilled revenue	19	0	0	19
Other <sup>(1)</sup>	145	0	(2)	143
Total electric revenue	1,173	0	(2)	1,171
<b>Gas revenue</b>				
Residential	0	125	0	125
Commercial	0	105	0	105
Industrial <sup>(2)</sup>	0	15	0	15
Other <sup>(3)</sup>	0	98	(2)	96
Total gas revenue	0	343	(2)	341
<b>Total revenue</b>	<u>\$ 1,173</u>	<u>\$ 343</u>	<u>\$ (4)</u>	<u>\$ 1,512</u>
<i>Six months ended June 30, 2021</i>				
<b>Electric revenue</b>				
Residential	\$ 508	\$ 0	\$ 0	\$ 508
Commercial	270	0	0	270
Industrial	78	0	0	78
Regulatory deferrals and unbilled revenue	9	0	0	9
Other <sup>(1)</sup>	114	0	(2)	112
Total electric revenue	979	0	(2)	977
<b>Gas revenue</b>				
Residential	0	116	0	116
Commercial	0	99	0	99
Industrial <sup>(2)</sup>	0	12	0	12
Other <sup>(3)</sup>	0	51	(2)	49
Total gas revenue	0	278	(2)	276
<b>Total revenue</b>	<u>\$ 979</u>	<u>\$ 278</u>	<u>\$ (4)</u>	<u>\$ 1,253</u>

(1) Other electric revenue includes sales to public authorities, off-system sales to other utilities and various other items.

(2) Industrial gas revenue includes sales to power generation customers.

(3) Other gas revenue includes off-system sales to other utilities and various other items.

#### *Remaining Performance Obligations*

Remaining performance obligations primarily represent lighting contracts and gas transportation contracts with fixed contract terms. As of June 30, 2022 and December 31, 2021, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately \$130 million and \$135 million, respectively. As allowed under ASC 606, these amounts exclude contracts with an original expected length of one year or less and variable amounts for which TEC recognizes revenue at the amount to which it has the right to invoice for services performed. TEC expects to recognize revenue for the remaining performance obligations through 2041.

## 11. Fair Value Measurements

### Items Measured at Fair Value on a Recurring Basis

Accounting guidance governing fair value measurements and disclosures provides that fair value represents the amount that would be received in selling an asset or the amount that would be paid in transferring a liability in an orderly transaction between market participants. As a basis for considering assumptions that market participants would use in pricing an asset or liability,

accounting guidance also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs, such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

There were no Level 3 assets or liabilities for the periods presented.

As of June 30, 2022 and December 31, 2021, the carrying value of TEC's short-term debt was not materially different from the fair value due to the short-term nature of the instruments and because the stated rates approximate market rates. The fair value of TEC's short-term debt is determined using Level 2 measurements. See **Note 7** for information regarding the fair value of long-term debt.

## **12. Subsequent Events**

On July 12, 2022, TEC completed a sale of (i) \$300 million aggregate principal amount of 3.875% Notes due July 12, 2024 (the 2024 Notes) and (ii) \$300 million aggregate principal amount of 5.00% Notes due July 15, 2052 (the 2052 Notes, and collectively, the Notes). See **Note 7** for additional information.



**Item 2. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS**

**Earnings Summary - Unaudited**

(millions)		Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
<b>Revenues</b>					
	Tampa Electric	\$ 663	\$ 532	\$ 1,173	\$ 979
	PGS	160	123	343	278
	Eliminations	(2)	(1)	(4)	(4)
	TEC	\$ 821	\$ 654	\$ 1,512	\$ 1,253
<b>Net income</b>					
	Tampa Electric	\$ 126	\$ 102	\$ 214	\$ 167
	PGS	19	19	49	46
	TEC	\$ 145	\$ 121	\$ 263	\$ 213

**Operating Results**

Second quarter 2022 net income was \$145 million, compared to \$121 million in the second quarter of 2021. Second quarter 2022 results were impacted by higher revenues at Tampa Electric and PGS, partially offset by higher depreciation and amortization expenses and lower AFUDC at Tampa Electric and higher O&M expense at PGS. Year-to-date 2022 net income was \$263 million, compared to \$213 million in the 2021 year-to-date period. Year-to-date 2022 results were impacted by higher revenues at Tampa Electric and PGS, partially offset by higher depreciation and amortization and O&M expenses and lower AFUDC at Tampa Electric and higher O&M expense at PGS. See **Operating Company Results** below for further detail.

**Operating Company Results**

Amounts included in the operating company discussions below are pre-tax, except net income and income taxes.

**Electric Division**

Tampa Electric's net income for the second quarter of 2022 was \$126 million, compared with \$102 million for the same period in 2021. Results primarily reflected higher revenues resulting from the 2021 rate case settlement agreement, favorable weather and revenues related to capital cost recovery for early retired assets, partially offset by higher depreciation expense and lower AFUDC.

Revenues were \$131 million higher than in the same quarter in 2021 primarily driven by higher fuel recovery clause revenue of \$52 million as a result of higher fuel costs, revenues related to capital cost recovery for early retired assets of \$17 million and increased base revenues of \$43 million. Base revenues, which are energy sales excluding revenues from clauses, capital cost recovery for early retired assets, gross receipts taxes and franchise fees, increased primarily due to new base rates as a result of the 2021 rate case settlement agreement, favorable weather and customer growth. Total degree days (a measure of heating and cooling demand) in Tampa Electric's service area in the second quarter of 2022 were 17% above normal (a 20-year statistical degree day average) and 10% above the 2021 period, reflecting favorable weather in the second quarter of 2022 compared to 2021. Total net energy for load, which is a calendar measurement of energy output, in the second quarter of 2022 was 4% higher than the same period in 2021.

O&M expense, excluding all FPSC-approved cost-recovery clauses, was consistent with the same quarter in 2021. Depreciation and amortization expense, excluding all FPSC-approved cost-recovery clauses, increased \$7 million in the second quarter of 2022 compared to the same period in 2021, primarily due to additions to facilities and the in-service of generation projects.

Tampa Electric's net income year-to-date 2022 was \$214 million, compared with \$167 million for the same period in 2021. Results primarily reflected higher revenues resulting from the 2021 rate case settlement agreement, favorable weather and revenues related to capital cost recovery for early retired assets, partially offset by higher depreciation expense, lower AFUDC and higher O&M expense.

Revenues were \$194 million higher than year-to-date 2021 primarily driven by higher base revenues of \$86 million, higher fuel recovery clause revenue of \$50 million as a result of increased fuel costs and revenues related to capital cost recovery for early retired assets of \$32 million. Base revenue increased due to new base rates as a result of the 2021 rate case settlement agreement, favorable weather and customer growth. Total degree days (a measure of heating and cooling demand) in Tampa Electric's service area year-to-date 2022 were 16% above normal (a 20-year statistical degree day average) and 11% above the 2021 period, reflecting favorable weather year-to-date in 2022 compared to 2021. Total net energy for load, which is a calendar measurement of energy output, year-to-date 2022 was 4% higher than year-to-date 2021.

O&M expense, excluding all FPSC-approved cost-recovery clauses, was \$6 million higher than year-to-date 2021 primarily due to higher transmission and distribution, insurance and benefit costs. Depreciation and amortization expense, excluding all FPSC-approved cost-recovery clauses, increased \$14 million year-to-date 2022 primarily due to additions to facilities and the in-service of generation projects.

Tampa Electric's regulated operating statistics for the three and six months ended June 30, 2022 and 2021 were as follows:

<i>(millions, except customers and total degree days)</i>		<i>Operating Revenues</i>			<i>Kilowatt-Hours Billed</i>		
<i>Three months ended June 30,</i>		<i>2022</i>	<i>2021</i>	<i>% Change</i>	<i>2022</i>	<i>2021</i>	<i>% Change</i>
<b>By Customer Type</b>							
Residential <sup>(1)</sup>	\$	348	\$ 276	26	2,513	2,472	2
Commercial <sup>(1)</sup>		170	144	18	1,575	1,525	3
Industrial <sup>(1)</sup>		47	41	15	550	541	2
Other <sup>(1)</sup>		55	47	17	482	478	1
Regulatory deferrals and unbilled revenue <sup>(2)</sup>		16	11	45			
Total retail sales of electricity		636	519	23	5,120	5,016	2
Off system sales of electricity		15	1	1,400	150	16	838
Other operating revenue		12	12	0			
Total revenues	\$	663	\$ 532	25	5,270	5,032	5
Retail net energy for load (kilowatt hours)		5,751	5,516	4			
Total degree days		1,474	1,345	10			
<i>(millions, except customers and total degree days)</i>		<i>Operating Revenues</i>			<i>Kilowatt-Hours Billed</i>		
<i>Six months ended June 30,</i>		<i>2022</i>	<i>2021</i>	<i>% Change</i>	<i>2022</i>	<i>2021</i>	<i>% Change</i>
<b>By Customer Type</b>							
Residential <sup>(1)</sup>	\$	618	\$ 508	22	4,595	4,525	2
Commercial <sup>(1)</sup>		307	270	14	2,950	2,850	4
Industrial <sup>(1)</sup>		84	78	8	1,034	1,015	2
Other <sup>(1)</sup>		102	90	13	930	912	2
Regulatory deferrals and unbilled revenue <sup>(2)</sup>		19	9	111			
Total retail sales of electricity		1,130	955	18	9,509	9,302	2
Off system sales of electricity		19	1	1,800	234	27	767
Other operating revenue		24	23	4			
Total revenues	\$	1,173	\$ 979	20	9,743	9,329	4
Customers at June 30, (thousands)		820	802	2			
Retail net energy for load (kilowatt-hours)		10,326	9,952	4			
Total degree days		2,162	1,953	11			

(1) Reflects a billing cycle measurement.

(2) Primarily reflects unbilled revenue, which incorporates a calendar measurement, and postings for clause recovery deferrals.

### **Natural Gas Division**

PGS had net income of \$19 million for both the second quarter of 2022 and the second quarter of 2021. Revenues were \$37 million higher than in the second quarter of 2021 primarily due to higher off-system sales and higher PGA clause-related revenues. The base revenue increase of \$2 million was primarily due to customer growth (4.6% higher number of customers in the second quarter of 2022 compared to the second quarter of 2021). Operations and maintenance expense, excluding all FPSC-approved cost-recovery clauses, was \$4 million higher than the 2021 quarter primarily due to higher labor, benefits and contractor costs to operate, maintain and expand the distribution system. Depreciation and amortization decreased \$3 million in the second quarter of 2022 due to the \$5 million reversal of accumulated depreciation, partially offset by increases due to asset growth. The PGS rate case settlement, which was approved in November 2020, provides the ability to reverse a total of \$34 million of accumulated depreciation through 2023 (see **Note 3** to the **TEC Consolidated Financial Statements** for further information).

PGS had net income of \$49 million for the 2022 year-to-date period, compared with \$46 million in the 2021 period. Revenues were \$65 million higher than in the prior period primarily due to higher off-system sales and higher PGA clause-related revenues. The base revenue increase of \$4 million was primarily due to customer growth. Operations and maintenance expense, excluding all FPSC-

approved cost-recovery clauses, was \$5 million higher than in 2021 primarily due to the same quarterly drivers mentioned above. Depreciation and amortization decreased \$6 million in the 2022 period due to the \$10 million reversal of accumulated depreciation as provided for in PGS's 2020 settlement agreement, partially offset by increases due to asset growth. Return on investment in the cast iron and bare steel replacement rider was \$2 million higher in the 2022 period.

PGS's regulated operating statistics for the three and six months ended June 30, 2022 and 2021 were as follows:

<i>(millions, except customers)</i>		<i>Operating Revenues</i>			<i>Therms</i>	
<i>Three months ended June 30,</i>	<i>2022</i>	<i>2021</i>	<i>% Change</i>	<i>2022</i>	<i>2021</i>	<i>% Change</i>
<b>By Customer Type</b>						
Residential	\$ 50	\$ 49	2	20	21	(5)
Commercial	49	46	7	130	126	3
Industrial	5	5	0	107	117	(9)
Power generation	3	1	200	216	200	8
Off system sales	31	4	675	34	10	240
Other operating revenues	20	15	33			
Total	<u>\$ 158</u>	<u>\$ 120</u>	<u>32</u>	<u>507</u>	<u>474</u>	<u>7</u>
<b>By Sales Type</b>						
System supply	\$ 98	\$ 66	48	64	39	64
Transportation	40	39	3	443	435	2
Other operating revenues	20	15	33			
Total	<u>\$ 158</u>	<u>\$ 120</u>	<u>32</u>	<u>507</u>	<u>474</u>	<u>7</u>

<i>(millions, except customers)</i>		<i>Operating Revenues</i>			<i>Therms</i>	
<i>Six months ended June 30,</i>	<i>2022</i>	<i>2021</i>	<i>% Change</i>	<i>2022</i>	<i>2021</i>	<i>% Change</i>
<b>By Customer Type</b>						
Residential	\$ 125	\$ 116	8	59	59	0
Commercial	105	99	6	277	266	4
Industrial	10	9	11	227	229	(1)
Power generation	5	3	67	405	418	(3)
Off system sales	46	10	360	59	25	136
Other operating revenues	46	34	35			
Total	<u>\$ 337</u>	<u>\$ 271</u>	<u>24</u>	<u>1,027</u>	<u>997</u>	<u>3</u>
<b>By Sales Type</b>						
System supply	\$ 206	\$ 154	34	137	101	36
Transportation	85	83	2	890	896	(1)
Other operating revenues	46	34	35			
Total	<u>\$ 337</u>	<u>\$ 271</u>	<u>24</u>	<u>1,027</u>	<u>997</u>	<u>3</u>
Customers at June 30, (thousands)	456	436	5			

#### Other Income

For the second quarter of 2022 and 2021, TEC's other income was \$12 million and \$12 million, respectively, and included AFUDC-equity of \$9 million and \$10 million, respectively. For the year-to-date periods in 2022 and 2021, TEC's other income was \$23 million and \$23 million, respectively, and included AFUDC-equity of \$17 million and \$20 million, respectively. The decrease in AFUDC-equity was primarily due to the timing of Tampa Electric's modernization of its Big Bend Power Station and the construction of solar projects.

#### Income Taxes

The provisions for income taxes were \$39 million and \$21 million for the three months ended June 30, 2022 and 2021, respectively, and \$68 million and \$41 million for the six months ended June 30, 2022 and 2021, respectively. Compared to the 2021 periods, the increase in the provision for income taxes for the six months and three months ended June 30, 2022 was primarily the result of higher pre-tax income.

## Liquidity and Capital Resources

The table below sets forth the June 30, 2022 liquidity, cash balances and amounts available under the TEC credit facilities.

<i>(millions)</i>			
Credit facilities	\$	1,300	
Drawn amounts/letters of credit		(971)	(1)
Available credit facilities		329	
Cash and short-term investments		11	
Total liquidity	\$	340	

(1) On July 12, 2022, TEC issued long-term debt and a portion of the proceeds were used to repay TEC's \$470 million commercial paper balance. Therefore, the \$470 million commercial paper balance was classified as a long-term debt on TEC's consolidated balance sheet as of June 30, 2022. See **Note 7** to the **TEC Consolidated Financial Statements** for further information.

## Cash Impacts Related to Operating Activities

Cash flows from operating activities for the six months ended June 30, 2022 were \$294 million, a decrease of \$52 million compared to the same period in 2021. Decreases to cash from operations were primarily the result of higher fuel under-recoveries due to rising natural gas prices and higher materials and supplies inventory, partially offset by higher base revenues resulting from new base rates as a result of the 2021 rate case agreement and favorable weather and the timing of non-clause invoice payments.

## Cash Impacts Related to Financing Activities

Cash flows from financing activities for the six months ended June 30, 2022 resulted in net cash inflows of \$303 million. TEC received \$280 million of equity contributions from Parent and \$225 million of net proceeds from short-term debt with maturities with 90 days or less. These increases in cash flows were partially offset by dividend payments to Parent of \$202 million. See **Note 7** to the **TEC Consolidated Financial Statements** for information regarding TEC's long-term debt issuance in July 2022.

## Covenants in Financing Agreements

In order to utilize its bank credit facilities, TEC must meet certain financial tests as defined in the applicable agreements. In addition, TEC has certain restrictive covenants in specific agreements and debt instruments. At June 30, 2022, TEC was in compliance with all applicable financial covenants. The following table contains the significant financial covenant and the performance relative to it at June 30, 2022.

### Significant Financial Covenants

Instrument <sup>(1)</sup>	Financial Covenant <sup>(2)</sup>	Requirement/Restriction	Calculation at June 30, 2022
Credit facility - \$800 million	Debt/capital	Cannot exceed 65%	45.9%
Term facility- \$500 million	Debt/capital	Cannot exceed 65%	45.9%

(1) See **Note 6** to the **TEC Consolidated Condensed Financial Statements** for details of the credit facility.

(2) As defined in the instrument.

## Credit Ratings of Senior Unsecured Debt at June 30, 2022

	S&P	Moody's	Fitch
Credit ratings of senior unsecured debt	BBB+	A3	A
Credit ratings outlook	Stable	Stable	Stable

Certain of TEC's derivative instruments contain provisions that require TEC's debt to maintain investment grade credit ratings.

### **Commitments and Contingencies**

See **Note 8** to the **TEC Consolidated Condensed Financial Statements** for information regarding TEC's commitments and contingencies as of June 30, 2022.

### **Regulatory Matters**

See **Note 3** to the **TEC Consolidated Condensed Financial Statements** for information regarding TEC's regulatory matters as of June 30, 2022.

### **Fair Value Measurements**

TEC's fair value measurements are described in **Notes 7 and 11** to the **TEC Consolidated Condensed Financial Statements**. In addition, TEC considered the impact of nonperformance risk in determining the fair value of derivatives. TEC considered the net position with each counterparty, past performance of both parties and the intent of the parties, indications of credit deterioration and whether the markets in which TEC transacts have experienced dislocation. At June 30, 2022, the fair value of derivatives was not materially affected by nonperformance risk.

### **Critical Accounting Policies and Estimates**

Critical accounting policies and estimates have not materially changed in 2022. For further discussion of critical accounting policies and estimates, see **TEC's Annual Report on Form 10-K** for the year ended December 31, 2021.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Information required by Item 3 is omitted pursuant to General Instruction H(2) of Form 10-Q.

### **Item 4. CONTROLS AND PROCEDURES**

- (a) **Evaluation of Disclosure Controls and Procedures.** TEC's management, with the participation of its principal executive officer and principal financial officer, has evaluated the effectiveness of TEC's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2022. Based on such evaluation, TEC's principal financial officer and principal executive officer have concluded that, as of June 30, 2022, TEC's disclosure controls and procedures are effective.
- (b) **Changes in Internal Controls.** There was no change in TEC's internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of TEC's internal control over financial reporting that occurred during TEC's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, such controls.

## PART II. OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

From time to time, TEC is involved in various legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies in the ordinary course of business. Where appropriate, accruals are made in accordance with accounting standards for contingencies to provide for matters that are probable of resulting in an estimable loss. For a discussion of legal proceedings and environmental matters, see **Note 8** of the **TEC Consolidated Condensed Financial Statements**.

### Item 6. EXHIBITS

Exhibit No.	Description
3.1	Restated Articles of Incorporation of Tampa Electric Company, as amended on November 30, 1982 (Exhibit 3 to Registration Statement No. 2-70653 of Tampa Electric Company). (P) *
3.2	<a href="#"><u>Bylaws of Tampa Electric Company, as amended effective February 2, 2011 (Exhibit 3.4, Form 10-K for 2010 of Tampa Electric Company).</u></a> *
4.1	<a href="#"><u>Seventeenth Supplemental Indenture dated as of March 18, 2021, between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing the Indenture dated as of July 1, 1998, as amended (Exhibit 4.12, Form 8-K dated July 12, 2022 of Tampa Electric Company).</u></a> *
31.1	<a href="#"><u>Certification of the Chief Executive Officer of Tampa Electric Company pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2	<a href="#"><u>Certification of the Chief Financial Officer of Tampa Electric Company pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32	<a href="#"><u>Certification of the Chief Executive Officer and Chief Financial Officer of Tampa Electric Company pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a> <sup>(1)</sup>
101.INS**	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.
101.SCH**	Inline XBRL Taxonomy Extension Schema Document.
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	Inline XBRL Taxonomy Label Linkbase Document.
101.PRE**	Inline XBRL Taxonomy Presentation Linkbase Document.
104	The cover page from TEC's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 has been formatted in Inline XBRL.

(1) This certification accompanies the Quarterly Report on Form 10-Q and is not filed as part of it.

\* Indicates exhibit previously filed with the Securities and Exchange Commission and incorporated herein by reference. Exhibits filed with periodic reports of TECO Energy, Inc. and TEC were filed under Commission File Nos. 1-8180 and 1-5007, respectively.

\*\* The XBRL related information in Exhibit 101 to this quarterly report on Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TAMPA ELECTRIC COMPANY  
(Registrant)

Date: August 10, 2022

By: /s/ Gregory W. Blunden

Gregory W. Blunden  
Treasurer and Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATIONS**

I, Archie Collins, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tampa Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2022

/s/ ARCHIE COLLINS

ARCHIE COLLINS

President and Chief Executive Officer

(Principal Executive Officer)



**CERTIFICATIONS**

I, Gregory W. Blunden, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tampa Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2022

/s/ GREGORY W. BLUNDEN

GREGORY W. BLUNDEN

Treasurer and Chief Financial Officer

(Principal Financial and Accounting Officer)

**TAMPA ELECTRIC COMPANY**

**Certification of Periodic Financial Report  
Pursuant to 18 U.S.C. Section 1350**

Each of the undersigned officers of Tampa Electric Company (the “Company”) certifies, under the standards set forth in and solely for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his or her knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2022

/s/ ARCHIE COLLINS

ARCHIE COLLINS

President and Chief Executive Officer

(Principal Executive Officer)

Date: August 10, 2022

/s/ GREGORY W. BLUNDEN

GREGORY W. BLUNDEN

Treasurer and Chief Financial Officer

(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-Q and shall not be considered filed as part of the Form 10-Q.

## **Exhibit B**

**TAMPA ELECTRIC DIVISION  
PROJECTED STATEMENT OF SOURCES AND USES OF FUNDS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023  
(MILLIONS)**

Cash Flows from Operating Activities:	
Depreciation	\$ 435
Deferred Income Taxes	45
Other	<u>51</u>
	531
Cash Flows from Investing Activities:	
Capital Expenditures, excluding AFUDC	(1,151)
Cash Flows from Financing Activities:	
Changes in Financing	<u>620</u>
Total Cash Flows, excluding Net Income	<u>\$ 0</u>

**TAMPA ELECTRIC DIVISION  
PROJECTED CONSTRUCTION BUDGET  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023  
(MILLIONS)**

Generation	\$ 481
Transmission & Distribution	571
Other	<u>99</u>
Total Projected Construction Budget, excluding AFUDC	<u>\$ 1,151</u>

**PEOPLES GAS SYSTEM DIVISION  
PROJECTED STATEMENT OF SOURCES AND USES OF FUNDS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023  
(MILLIONS)**

Cash Flows from Operating Activities:	
Depreciation	\$ 60
Deferred Taxes	25
Other	<u>1</u>
	86
Cash Flows from Investing Activities:	
Capital Expenditures, excluding AFUDC	(333)
Cash Flows from Financing Activities:	
Changes in Financing	<u>247</u>
Total Cash Flows, excluding Net Income	\$ <u><u>0</u></u>

**PEOPLES GAS SYSTEM DIVISION  
PROJECTED CONSTRUCTION BUDGET  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023  
(MILLIONS)**

Revenue Producing	\$ 245
Maintenance	65
Cast Iron Bare Steel / Problematic Plastic Pipe	<u>23</u>
Total Projected Construction Budget, excluding AFUDC	\$ <u><u>333</u></u>

## **Exhibit C-1**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2021

OR

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No.	Exact name of each Registrant as specified in its charter, state of incorporation, address of principal executive offices, telephone number	I.R.S. Employer Identification Number
1-5007	TAMPA ELECTRIC COMPANY (a Florida corporation) TECO Plaza 702 N. Franklin Street Tampa, Florida 33602 (813) 228-1111	59-0475140

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
None		

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Indicate by check mark if Tampa Electric Company is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

YES ☐ NO ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether Tampa Electric Company is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark whether Tampa Electric Company has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether Tampa Electric Company is a shell company (as defined in Rule 12b-2 of the Act).  
YES ☐ NO ☒

The aggregate market value of Tampa Electric Company's common stock held by non-affiliates of the registrant as of June 30, 2021 was zero.

As of February 10, 2022, there were 10 shares of Tampa Electric Company's common stock issued and outstanding, all of which were held, beneficially and of record, by TECO Energy, Inc., an indirect wholly-owned subsidiary of Emera Inc.

Tampa Electric Company meets the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and is therefore filing this form with the reduced disclosure format specified in General Instruction I(2) of Form 10-K.



## DEFINITIONS

Acronyms and defined terms used in this and other filings with the U.S. Securities and Exchange Commission include the following:

Term	Meaning
AFUDC	allowance for funds used during construction
AFUDC-debt	debt component of allowance for funds used during construction
AFUDC-equity	equity component of allowance for funds used during construction
APBO	accumulated postretirement benefit obligation
ARO	asset retirement obligation
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BCF	billion cubic feet
CCRs	coal combustion residuals
CMO	collateralized mortgage obligation
CNG	compressed natural gas
CO <sub>2</sub>	carbon dioxide
COVID-19	coronavirus disease 2019
CPI	consumer price index
CT	combustion turbine
D.C. Circuit Court	D.C. Circuit Court of Appeals
ECRC	environmental cost recovery clause
Emera	Emera Inc., a geographically diverse energy and services company headquartered in Nova Scotia, Canada and the indirect parent company of Tampa Electric Company
EPA	U.S. Environmental Protection Agency
ERISA	Employee Retirement Income Security Act
EROA	expected return on plan assets
EUSHI	Emera US Holdings Inc., a wholly owned subsidiary of Emera, which is the sole shareholder of TECO Energy's common stock
FASB	Financial Accounting Standards Board
FDEP	Florida Department of Environmental Protection
FERC	Federal Energy Regulatory Commission
FPSC	Florida Public Service Commission
GHG	greenhouse gas
IGCC	integrated gasification combined-cycle
IRS	Internal Revenue Service
ITCs	investment tax credits
kWac	kilowatt on an alternating current basis
LNG	liquefied natural gas
MBS	mortgage-backed securities
MD&A	the section of this report entitled Management's Discussion and Analysis of Financial Condition and Results of Operations
MGP	manufactured gas plant
MMBTU	one million British Thermal Units
MRV	market-related value
MW	megawatt(s)
MWH	megawatt-hour(s)
NAV	net asset value
Note	Note to consolidated financial statements
NPNS	normal purchase normal sale
O&M expenses	operations and maintenance expenses
OCI	other comprehensive income
OPC	Office of Public Counsel
OPEB	other postemployment benefits
Parent	TECO Energy, Inc., the direct parent company of Tampa Electric Company
PBGC	Pension Benefit Guarantee Corporation
PBO	projected benefit obligation
PGA	purchased gas adjustment
PGS	Peoples Gas System, the gas division of Tampa Electric Company

PPA	power purchase agreement
PRP	potentially responsible party
R&D	research and development
REIT	real estate investment trust
RFP	request for proposal
ROE	return on common equity
Regulatory ROE	return on common equity as determined for regulatory purposes
S&P	Standard and Poor's
SCR	selective catalytic reduction
SEC	U.S. Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SoBRAs	solar base rate adjustments
SPP	storm protection plan
STIF	short-term investment fund
Tampa Electric	Tampa Electric, the electric division of Tampa Electric Company
TEC	Tampa Electric Company
TECO Energy	TECO Energy, Inc., the direct parent company of Tampa Electric Company
TSI	TECO Services, Inc.
U.S. GAAP	generally accepted accounting principles in the United States

#### **CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION**

This Form 10-K contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by TEC include those factors discussed herein, including those factors discussed with respect to TEC discussed in (a) Part I, Item 1A. Risk Factors, (b) Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part II, Item 8. Financial Statements: Note 8, Commitments and Contingencies; and (d) other factors discussed in filings with the SEC by TEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Report. TEC does not undertake any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this Form 10-K.

All references to "dollars" and "\$" in this and other filings with the U.S. Securities and Exchange Commission are references to U.S. dollars, unless specifically indicated otherwise.

## PART I

### Item 1. BUSINESS

Tampa Electric Company, referred to as TEC, was incorporated in Florida in 1899 and was reincorporated in 1949. TEC is a public utility operating within the State of Florida. TEC has two operating segments. Its electric division, referred to as Tampa Electric, provides retail electric service to approximately 810,600 customers in West Central Florida with a net winter system generating capacity of 5,919 MW at December 31, 2021. The gas division of TEC, referred to as PGS, is engaged in the purchase, distribution and sale of natural gas for residential, commercial, industrial and electric power generation customers in Florida. With approximately 445,300 customers, PGS has operations in Florida's major metropolitan areas. Annual natural gas throughput (the amount of gas delivered to its customers, including transportation-only service) in 2021 was approximately 1.9 billion therms. All of TEC's common stock is owned by TECO Energy, a holding company. TECO Energy is an indirect, wholly owned subsidiary of Emera. Therefore, TEC is an indirect, wholly owned subsidiary of Emera.

TEC makes its SEC filings available free of charge on Tampa Electric's website ([www.tampaelectric.com/company/about/](http://www.tampaelectric.com/company/about/)) as soon as reasonably practicable after they are filed with the SEC. TEC's electronic SEC filings are also available on the SEC's website ([www.sec.gov](http://www.sec.gov)).

#### TEC Revenues

TEC's revenues consist of sales to residential, commercial, industrial and other customers. TEC's residential load generally comprises individual homes, apartments and condominiums. Commercial customers include small retail operations, large office and commercial complexes, universities and hospitals. Industrial customers include manufacturing facilities, power generation customers and other large volume operations. Other sales volumes consist primarily of off-system sales to other utilities and revenues from street lighting.

For TEC's revenue and other financial information by operating segments, see **Note 11** to the **2021 Annual TEC Consolidated Financial Statements**.

#### TEC Human Capital

TEC had approximately 3,100 employees as of December 31, 2021, substantially all of whom are located in Florida.

Tampa Electric had approximately 2,420 employees as of December 31, 2021, of which 700 were represented by the International Brotherhood of Electrical Workers and 165 were represented by the Office and Professional Employees International Union. In December 2019, 370 TSI employees were transferred to Tampa Electric. The transfer of these employees to Tampa Electric created operational synergies in the organization but did not materially impact shared service costs or the TEC Consolidated Statement of Income.

PGS had approximately 680 employees as of December 31, 2021. Approximately 90 employees in four of PGS's 14 service areas and call center are represented by various union organizations.

TEC initiated a plan in March 2020 to manage the critical safety, operational and business risks associated with the COVID-19 pandemic. In March 2020, TEC launched a work-from-home plan for approximately 70% of the workforce and implemented policies and revised work practices to promote safe operations for the remaining field-based employees. TEC has commenced the initial phase of re-entry for those employees who had been working remote. This initial phase limits office capacity to 50% for these employees. COVID protocols have been developed to maintain employee health and safety.

In alignment with our efforts to promote inclusion and diversity, TEC has in place a company-wide Inclusion and Diversity initiative, which provides the organizational blueprint for achieving greater diversity and uniqueness of individuals and cultures and the varied perspectives they provide. Maintaining a robust pipeline of talent is crucial to TEC's ongoing success and is a key aspect of succession planning efforts across the organization.

TEC is committed to investing in its employees through training and development programs as well as a tuition assistance program to promote continued professional growth. TEC provides a competitive compensation package that includes base pay, annual short-term incentives based on the achievement of corporate goals and performance, long-term incentives (applicable to eligible employee population), and health and retirement benefits.

## **TAMPA ELECTRIC – Electric Operations**

TEC's Tampa Electric division is engaged in the generation, purchase, transmission, distribution and sale of electric energy. The retail territory served comprises an area of about 2,000 square miles in West Central Florida, including Hillsborough County and parts of Polk, Pasco and Pinellas Counties. The principal communities served are Tampa, Temple Terrace, Winter Haven, Plant City and Dade City. Tampa Electric engages in wholesale sales to utilities and other resellers of electricity. At December 31, 2021, Tampa Electric had two generating stations in or near Tampa, one generating station in southwestern Polk County, and 14 photovoltaic power stations (eight in Hillsborough County and six in Polk County).

The sources of Tampa Electric's operating revenue and MWH sales were as follows:

### **Tampa Electric Operating Revenue**

<i>(millions)</i>	2021	2020	2019
Residential	\$ 1,156	\$ 1,018	\$ 1,046
Commercial	602	506	562
Industrial	172	133	156
Other sales of electricity	194	165	183
Regulatory deferrals and unbilled revenue	(8)	(25)	(49)
Total energy sales	2,116	1,797	1,898
Off system sales	6	3	6
Other	52	49	61
Total revenues	<u>\$ 2,174</u>	<u>\$ 1,849</u>	<u>\$ 1,965</u>

### **Megawatt-hour Sales**

<i>(thousands)</i>	2021	2020	2019
Residential	9,941	10,122	9,584
Commercial	6,144	6,058	6,240
Industrial	2,122	1,891	2,021
Other sales of electricity	1,886	1,883	1,939
Total retail	20,093	19,954	19,784
Off system sales	114	75	155
Total energy sold	<u>20,207</u>	<u>20,029</u>	<u>19,939</u>

No significant part of Tampa Electric's business is dependent upon a single or limited number of customers where the loss of any one or several would have a significant adverse effect on Tampa Electric. Tampa Electric experiences summer peak loads due to the use of air conditioning and other cooling equipment and winter peak loads due to electric space heating, fewer daylight hours and colder temperatures.

## **Regulation**

### *Base Rates*

Tampa Electric's retail operations are regulated by the FPSC. The FPSC's objective is to set rates at a level that provides an opportunity for the utility to collect revenues (revenue requirements) equal to its prudently incurred costs of providing service to customers, plus a reasonable return on invested capital.

The costs of owning, operating and maintaining the utility systems, excluding fuel, conservation costs, purchased power, storm protection plan projects and certain environmental costs, are recovered through base rates. These costs include O&M expenses, depreciation, taxes, and a return on investment in assets providing electric service (rate base). The rate of return on rate base, which is intended to approximate a company's weighted cost of capital, primarily includes its costs for debt, deferred income taxes (at a zero cost rate) and an allowed ROE. Base rates are determined in FPSC rate setting hearings which occur at the initiative of Tampa Electric, the FPSC or other interested parties.

Tampa Electric's 2021, 2020 and 2019 results reflect a settlement agreement approved by the FPSC on November 6, 2017. Tampa Electric's 2022 base rates will reflect a settlement agreement approved by the FPSC on November 10, 2021. See **Note 3** to the **2021 Annual TEC Consolidated Financial Statements** for information regarding Tampa Electric's base rates, ROE and other regulatory matters.

### Other Cost Recovery

Tampa Electric has five cost recovery clauses.

- (1) Tampa Electric has a fuel recovery clause allowing recovery of actual fuel costs from customers through annual fuel rate adjustments. Differences between actual prudently incurred fuel costs and amounts recovered from customers in a year are recovered from or returned to customers in a subsequent period.
- (2) Tampa Electric has a capacity recovery clause allowing recovery of firm demand payments associated with purchased power agreements.
- (3) Tampa Electric has an environmental cost recovery clause which allows it to earn a return on investments in new facilities to comply with new environmental regulations and to recover the costs to operate and maintain these facilities.
- (4) Through its conservation cost recovery clause, Tampa Electric offers its customers a comprehensive array of residential and commercial programs that have enabled it to meet its required demand side management goals, reduce weather-sensitive peak demand and conserve energy.
- (5) Tampa Electric has a Storm Protection Plan cost recovery clause allowing recovery of prudent transmission and distribution storm hardening costs for incremental activities not already included in base rates as outlined in the programs in its approved Storm Protection Plan.

During November 2021, the FPSC approved cost-recovery rates for the above clauses for 2022. See **Note 3** to the **2021 Annual TEC Consolidated Financial Statements** for further information. In addition, Tampa Electric's 2021 rate case settlement agreement established a mechanism to recover the costs of retiring coal generation units and meter assets over a period of 15 years beginning in January 2022, which will survive the term of the settlement agreement.

### FERC and Other Regulations

Tampa Electric is subject to regulation by the FERC in various respects, including wholesale power sales, certain wholesale power purchases, transmission and ancillary services and accounting practices.

Tampa Electric is subject to federal, state and local environmental laws and regulations pertaining to air and water quality, land use, power plant, substation and transmission line siting, noise and aesthetics, solid waste and other environmental matters (see the **Environmental Compliance** section of the **MD&A**).

### Competition

Tampa Electric's retail electric business is substantially free from direct competition with other electric utilities, municipalities and public agencies. The principal form of competition at the retail level consists of self-generation available to larger users of electric energy. Such users may seek to expand their alternatives through various initiatives, including legislative and/or regulatory changes that would permit competition at the retail level. Tampa Electric intends to retain and expand its retail business by managing costs and providing quality service to retail customers.

### Generation Sources

In 2021 and 2020, approximately 86% and 89%, respectively, of Tampa Electric's generation of electricity was natural gas-fired, with solar representing 6% and 6%, respectively, and coal representing 8% and 5%, respectively. In 2021 and 2020, Tampa Electric used its generating units to meet approximately 89% and 88%, respectively, of the total system load requirements, with the remaining 11% and 12%, respectively, coming from purchased power. Tampa Electric is required to maintain a generation capacity greater than firm peak demand. Tampa Electric meets the planning criteria for reserve capacity established by the FPSC, which is a 20% reserve margin over firm peak demand. See **MD&A - Capital Investments** for information regarding TEC's forecasted capital investments in generation sources, including solar projects and the modernization of the Big Bend Power Station.

The table below presents information regarding Tampa Electric's generation costs.

<i>Average cost per MMBTU</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>
Natural Gas <sup>(1)</sup>	\$ 4.83	\$ 3.31	\$ 3.40
Coal <sup>(2)</sup>	3.49	3.69	3.66
Average generation cost per MWh <sup>(3)</sup>	33.73	20.27	27.81

- (1) Represents the cost of natural gas, transportation, storage, balancing, and fuel losses for delivery to the energy center.
- (2) Represents the cost of coal and transportation.
- (3) Represents the average generation cost per MWh including solar.

Tampa Electric's fuel costs are affected by commodity prices and generation mix that is largely dependent on economic dispatch of the generating fleet, dispatching the lowest fuel cost options first (solar renewable energy being zero fuel costs), such that the incremental cost of generation increases as sales volumes increase. Generation mix may also be affected by plant outages, plant performance, availability of lower priced short-term purchased power, compliance with environmental standards and regulations, and availability of solar resources.

**Natural Gas.** Tampa Electric maintains gas commodity, pipeline transportation and storage contracts. As of December 31, 2021, approximately 80% of Tampa Electric's 2.0 million BCF of gas storage capacity was full. Tampa Electric has contracted for 73% of its expected gas needs for the January through December 2022 period. Tampa Electric expects to issue RFPs to meet its remaining 2022 gas needs and begin contracting for its 2023 requirements. Additional volume requirements are purchased in the short-term spot market.

**Coal.** Tampa Electric burned under 0.6 million tons of coal during 2021 and estimates that its coal consumption will be similar in 2022. Consistent with 2021, Tampa Electric will be purchasing its coal in 2022 under a contract with two different commodity suppliers. Tampa Electric takes coal deliveries primarily by water and uses transportation agreements with a rail provider if spot coal supplies are needed.

### Franchises and Other Rights

Florida utilities must obtain franchises to operate in certain municipalities. Tampa Electric holds franchises and other rights that, together with its charter powers, govern the placement of Tampa Electric's facilities on the public rights-of-way that it carries for its retail business in the localities it serves. The franchises specify the negotiated terms and conditions governing Tampa Electric's use of public rights-of-way and other public property within the municipalities it serves during the term of the franchise agreement. Florida municipalities are prohibited from granting any franchise for a term exceeding 30 years.

Tampa Electric has franchise agreements with 13 incorporated municipalities within its retail service area. At December 31, 2021, these agreements have various expiration dates ranging through 2049 and are expected to be renewed under similar terms and conditions.

Franchise fees expense totaled \$49 million and \$42 million in 2021 and 2020, respectively. Franchise fees are calculated using a formula based primarily on electric revenues and are recovered on a dollar-for-dollar basis from customers.

Utility operations in Hillsborough, Pinellas and Polk Counties outside of incorporated municipalities are conducted in each case under one or more permits granted by the Florida Department of Transportation or the County Commissioners of such counties. There is no law limiting the time for which such permits may be granted. There are no fixed expiration dates for the Hillsborough County, Pinellas County and Polk County agreements.

### Environmental Matters

Tampa Electric operates stationary sources with air emissions regulated by the Clean Air Act. Its operations are also impacted by provisions in the Clean Water Act and federal and state legislative initiatives on environmental matters. TEC, through its Tampa Electric and PGS divisions, is a PRP for certain superfund sites and, through its PGS division, for certain former manufactured gas plant sites. See **Environmental Compliance** section of the MD&A for additional information.

### PEOPLES GAS SYSTEM – Gas Operations

PGS is engaged in the purchase, distribution and sale of natural gas for residential, commercial, industrial and electric power generation customers in the state of Florida.

Gas is delivered to the PGS distribution system through three interstate pipelines. PGS does not engage in the exploration for or production of natural gas. PGS operates a natural gas distribution system that serves approximately 445,300 customers. The system includes approximately 14,400 miles of gas mains and 8,100 miles of service lines (see PGS's **Franchises and Other Rights** section below).

In 2021, the total throughput for PGS was approximately 1.9 billion therms. Of this total throughput, 7% was gas purchased and resold to customers by PGS, 91% was third-party supplied gas that was delivered to transportation-only customers and 2% was gas sold off-system (i.e., to customers not connected to PGS's distribution system).

PGS provides transportation service to customers utilizing gas-fired technology in the production of electric power. In addition, PGS provides gas transportation service to large LNG facilities located in Jacksonville, Florida. PGS has seen continuing interest and development in natural gas vehicles. There are 56 compressed natural gas filling stations connected to the PGS distribution system. See the **PGS Operating Results** section of the **MD&A** for information on the impact of natural gas vehicles on PGS's operations.

Revenues and therms for PGS for the years ended December 31 were as follows:

(millions)	Revenues			Therms		
	2021	2020	2019	2021	2020	2019
Residential	\$ 212	\$ 158	\$ 154	100	91	85
Commercial	191	135	146	518	476	517
Industrial	18	17	16	455	460	430
Off-system sales	23	30	55	48	126	188
Power generation	7	6	5	816	955	853
Other revenues	65	75	72	-	-	-
Total	<u>\$ 516</u>	<u>\$ 421</u>	<u>\$ 448</u>	<u>1,937</u>	<u>2,108</u>	<u>2,073</u>

No significant part of PGS's business is dependent upon a single or limited number of customers where the loss of any one customer would have a significant adverse effect on PGS. PGS experiences winter peak throughputs due to higher therm usage for heating during colder temperatures.

## Regulation

### Base Rates

The operations of PGS are regulated by the FPSC separately from the regulation of Tampa Electric. The FPSC seeks to set rates at a level that provides an opportunity for a utility to collect revenues (revenue requirements) equal to its prudently incurred costs of providing service to customers, plus a reasonable return on invested capital.

The costs of providing natural gas service, other than the costs of purchased gas and interstate pipeline capacity, are recovered through base rates. Base rates are designed to recover the costs of owning, operating and maintaining the utility system. The rate of return on rate base, which is intended to approximate PGS's weighted cost of capital, primarily includes its cost for debt, deferred income taxes (at a zero cost rate), and an allowed ROE. Base rates are determined in FPSC rate setting hearings which occur at irregular intervals at the initiative of PGS, the FPSC or other parties.

See **Note 3** to the **2021 Annual TEC Consolidated Financial Statements** for further information regarding PGS's base rates, ROE and other regulatory matters.

### Cost Recovery Clauses and Riders

PGS recovers the costs it pays for gas supply and interstate transportation for system supply through a PGA clause. This clause is designed to recover the actual costs incurred by PGS for purchased gas, gas storage services, interstate pipeline capacity, and other related items associated with the purchase, distribution, and sale of natural gas to its customers. These charges may be adjusted monthly based on a cap approved annually in an FPSC hearing. The cap is based on estimated costs of purchased gas and pipeline capacity, and estimated customer usage for a calendar year recovery period, with a true-up adjustment to reflect the variance of actual costs and usage from the projected charges for prior periods. The current PGA cap rate, effective January 2022, was approved by the FPSC in November 2021.

In addition to its base rates and PGA clause charges, PGS customers also pay a per-therm charge for energy conservation and pipeline replacement programs. The conservation charge is intended to permit PGS to recover prudently incurred expenditures in developing and implementing cost effective energy conservation programs which are mandated by Florida law and approved and monitored by the FPSC. PGS is also permitted to recover the return on, depreciation expenses and applicable taxes associated with the replacement of cast iron/bare steel infrastructure. The FPSC approved a replacement program of approximately 5%, or 500 miles, of the PGS system over a 10-year period beginning in 2013. In February 2017, the FPSC approved an amendment to the cast iron bare steel rider to include certain plastic materials and pipe deemed obsolete by Pipeline and Hazardous Materials Safety Administration,

totaling approximately 550 miles. PGS estimates that the majority of the cast iron and bare steel pipe will be removed from its system by the end of 2022, with the replacement of obsolete plastic pipe continuing under the rider through 2028.

#### *FPSC and Other Regulation*

The FPSC requires natural gas utilities to offer transportation-only service to all non-residential customers. In addition to economic regulation, PGS is subject to the FPSC's safety jurisdiction, pursuant to which the FPSC regulates the construction, operation and maintenance of PGS's distribution system.

PGS is subject to federal, state and local environmental laws and regulations pertaining to air and water quality, land use, noise and aesthetics, solid waste and other environmental matters (see the **Environmental Compliance** section of the **MD&A**).

#### **Competition**

Although PGS is not in direct competition with any other regulated local distributors of natural gas for customers within its service areas, there are other forms of competition. The principal form of competition for residential and small commercial customers is from companies providing other sources of energy, including electricity, propane and fuel oil. There is also competition from other local distributors of natural gas to establish service territories in unserved areas of Florida.

Competition is most prevalent in the large commercial and industrial markets. These classes of customers have the option to contract with companies that sell gas directly by transporting gas through other facilities and thereby bypassing the PGS system. In response to this competition, PGS has developed various programs, including the provision of transportation-only services at discounted rates.

In Florida, gas service is unbundled for all non-residential customers. PGS offers unbundled transportation service to all non-residential customers, and residential customers consuming in excess of 1,999 therms annually, allowing these customers to purchase commodity gas from a third party but continue to pay PGS for the transportation. Because the commodity portion of bundled sales is included in operating revenues at the cost of the gas on a pass-through basis, there is no net earnings effect when a customer shifts to transportation-only sales. As a result, PGS receives its base rate for distribution regardless of whether a customer decides to opt for transportation-only service or continue bundled service. As of December 31, 2021, PGS had approximately 26,500 transportation-only customers out of approximately 40,600 eligible customers.

#### **Gas Supplies**

PGS purchases gas from various suppliers depending on the needs of its customers. The gas is delivered to the PGS distribution system through interstate pipelines on which PGS has reserved firm transportation capacity for delivery by PGS to its customers. In addition, PGS has reserved firm transportation capacity through intrastate pipelines owned by PGS's affiliate, SeaCoast Gas Transmission, LLC.

Companies with firm pipeline capacity receive priority in scheduling deliveries during times when the pipeline is operating at its maximum capacity. PGS presently holds sufficient firm capacity to meet the gas requirements of its system commodity customers, except during certain weather events and localized emergencies affecting the PGS distribution system.

Firm transportation rights on an interstate pipeline represent a right to use the amount of the capacity reserved for transportation of gas on any given day. PGS pays reservation charges on the full amount of the reserved capacity whether or not it actually uses such capacity on any given day. When the capacity is actually used, PGS pays a volumetrically based usage charge for the amount of the capacity actually used. The levels of the reservation and usage charges are regulated by the FERC. PGS actively markets any excess capacity available to partially offset costs recovered through the PGA clause.

PGS procures natural gas supplies using base-load contracts and swing-supply contracts (i.e., short-term contracts without a specified volume) with various suppliers along with spot market purchases. Pricing generally takes the form of either a variable price based on published indices or a fixed price for the contract term.

#### **Franchises and Other Rights**

PGS holds franchise and other rights with 120 municipalities and districts throughout Florida. These franchises govern the placement of PGS's facilities on the public rights-of-way as it carries on its retail business in the localities it serves. The franchises are irrevocable and are not subject to amendment without the consent of PGS. Municipalities are prohibited from granting any franchise for a term exceeding 30 years. PGS's franchise agreements have various expiration dates through 2051. PGS expects to negotiate up to 20 franchise renewals in 2022 under similar terms, in addition to those franchise agreements that have auto renewals effective during



2022. Franchise fees expense totaled \$13 million and \$10 million in 2021 and 2020, respectively. Franchise fees are calculated using various formulas which are based principally on natural gas revenues. Franchise fees are recovered on a dollar-for-dollar basis from the respective customers within each franchise area.

Utility operations in areas outside of incorporated municipalities and districts are conducted in each case under one or more permits to use state or county rights-of-way granted by the Florida Department of Transportation or the county commission of such counties. There is no law limiting the time for which such permits may be granted by counties. There are no fixed expiration dates, and these rights are, therefore, considered perpetual.

### **Environmental Matters**

PGS's operations are subject to federal, state and local statutes, rules and regulations relating to the discharge of materials into the environment and the protection of the environment that generally require monitoring, permitting and ongoing expenditures. TEC is one of several PRPs for certain superfund sites and, through PGS, for former MGP sites. See **Note 8** to the **2021 Annual TEC Consolidated Financial Statements** and the **Environmental Compliance** section of the **MD&A** for additional information.

## **Item 1A. RISK FACTORS**

### **Risks Relating to TEC's Business and Strategy**

#### **Regulatory, Legislative, and Legal Risks**

**TEC's electric and gas utilities are regulated; changes in regulation or the regulatory environment could reduce revenues, increase costs or competition.**

TEC's electric and gas utilities operate in regulated industries. Retail operations, including the rates charged, are regulated by the FPSC, and Tampa Electric's wholesale power sales and transmission services are subject to regulation by the FERC. Changes in regulatory requirements or regulatory actions could have an adverse effect on TEC's financial performance by, for example, reducing revenues, increasing competition or costs, threatening investment recovery or impacting rate structure.

If Tampa Electric or PGS earn returns on equity above their respective allowed ranges, indicating a trend, those earnings could be subject to review by the FPSC. Ultimately, prolonged returns above their allowed ranges could result in credits or refunds to customers, which could reduce future earnings and cash flow.

**Changes in the environmental and land use laws and regulations affecting its businesses could increase TEC's costs or curtail its activities.**

TEC's businesses are subject to regulation by various governmental authorities dealing with air, water and other environmental matters. Changes in compliance requirements or the interpretation by governmental authorities of existing requirements may impose additional costs on TEC, requiring cost-recovery proceedings and/or requiring it to modify its business model. In addition, environmental and land use laws and regulations may curtail sales of natural gas to new customers, which could reduce PGS's customer growth in the future.

**Federal or state regulation of GHG emissions, depending on how they are enacted, could increase Tampa Electric's costs or the rates charged to its customers, which could curtail sales.**

On June 19, 2019, the EPA released a final rule named the Affordable Clean Energy (ACE) rule. The ACE rule, which replaces the Clean Power Plan adopted in 2015, contained emission guidelines for states to address GHG emissions from existing coal-fired electric generating units. On January 19, 2021, the D.C. Circuit vacated the ACE rule and remanded it to the EPA. A replacement rule is under development.

The outcome of the pending rulemaking process and expected further litigation, and its impact on Tampa Electric's businesses, is uncertain at this time; however, it could result in increased operating costs and/or decreased operations at Tampa Electric's coal-fired plants. Tampa Electric currently expects prudently incurred costs for compliance to be recovered through rates. However, timing of recovery could impact earnings and cash flows, and increases in rates charged to customers could result in reduced sales.

**The computation of TEC's provision for income taxes is impacted by changes in tax legislation.**

Any changes in tax legislation could affect TEC's future cash flows and financial position. The value of TEC's existing deferred tax assets and liabilities are determined by existing tax laws and could be impacted by changes in laws. See **Note 4** of the **2021 Annual TEC Consolidated Financial Statements** for further information regarding TEC's income taxes.

**Tampa Electric and PGS may not be able to secure adequate rights-of-way to construct transmission lines, gas interconnection lines and distribution-related facilities and could be required to find alternate ways to provide adequate sources of energy and maintain reliable service for their customers.**

Tampa Electric and PGS rely on federal, state and local governmental agencies to secure rights-of-way and siting permits to construct transmission lines, gas interconnection lines and distribution-related facilities. If adequate rights-of-way and siting permits to build new transportation and transmission lines cannot be secured, then Tampa Electric and PGS:

- May need to remove or abandon its facilities on the property covered by rights-of-way or franchises and seek alternative locations for its transmission or distribution facilities;
- May need to rely on more costly alternatives to provide energy to their customers;
- May not be able to maintain reliability in their service areas;
- May need to exercise the power of eminent domain, which can be costly and take time; and/or
- May experience a negative impact on their ability to provide electric or gas service to new customers.

**The franchise rights held by Tampa Electric and PGS could be lost in the event of a breach by such utilities or could expire and not be renewed.**

Tampa Electric and PGS hold franchise agreements with counterparties throughout their service areas. In some cases, these rights could be lost in the event of a breach of these agreements. These agreements are for set periods and could expire and not be renewed upon expiration of the then-current terms. Some agreements contain provisions allowing municipalities to purchase the portion of the applicable utility's system located within a given municipality's boundaries under certain conditions.

### **Operational and Construction Risks**

**TEC's businesses are sensitive to variations in weather and the effects of extreme weather and have seasonal variations.**

TEC's utility businesses are affected by variations in general weather conditions including severe weather. Energy sales by its electric and gas utilities are particularly sensitive to seasonal variations in weather conditions, including unusually mild summer or winter weather that cause lower energy usage for cooling or heating purposes. PGS typically has a short but significant winter peak period that is dependent on cold weather; Tampa Electric has both summer and winter peak periods that are dependent on weather conditions. Tampa Electric and PGS forecast energy sales based on normal weather, which represents a long-term historical average. If there is unusually mild weather, or if climate change or other factors cause significant variations from normal weather, this could have a material impact on energy sales.

**TEC is subject to several risks that arise or may arise from climate change.**

TEC is subject to risks that may arise from the impacts of climate change. There is increasing public concern about climate change and growing support for reducing carbon dioxide emissions. Municipal, state, and federal governments have been setting policies and enacting laws and regulations to deal with climate change impacts in a variety of ways, including de-carbonization initiatives and promotion of cleaner energy and renewable energy generation of electricity. Refer to "changes in the environmental and land use laws and regulations" above. Insurance companies have begun to limit their exposure to coal-fired electricity generation and are evaluating the medium and long-term impacts of climate change which may result in fewer insurers, more restrictive coverage and increased premiums.

Climate change may lead to increased frequency and intensity of weather events and related impacts such as storms, hurricanes, cyclones, heavy rainfall, extreme winds, wildfires, flooding and storm surge. The potential impacts of climate change, such as rising sea levels and larger storm surges from more intense hurricanes, can combine to produce even greater damage to coastal generation and other facilities. Climate change is also characterized by rising global temperatures. Increased air temperatures may bring increased frequency and severity of wildfires, including within TEC's service territories. Refer to "variations in weather" above.

TEC is subject to physical risks that arise, or may arise, from global climate change, including damage to operating assets from more frequent and intense weather events and from wildfires due to warming air temperatures and increasing drought conditions. Some of Tampa Electric's fossil fueled generation assets are located at or near coastal, sites and as such are exposed to the separate and combined effects of rising sea levels and increasing storm intensity, including storm surges and flooding. Refer to "variations in weather" above.

Failure to address issues related to climate change could affect TEC's reputation with stakeholders, its ability to operate and grow, and TEC's access to, and cost of, capital. Refer to "Financial, Economic, and Market Risks" below.

Changing carbon-related costs, policy and regulatory changes and shifts in supply and demand factors could lead to more expensive or more scarce products and services that are required by TEC in its operations. This could lead to supply shortages, delivery delays and the need to source alternate products and services.

Depending on the regulatory response to government legislation and regulations, TEC may be exposed to the risk of reduced recovery through rates in respect of the affected assets. Valuation impairments could result from such regulatory outcomes.

TEC could face litigation or regulatory action related to environmental harms from carbon dioxide emissions or climate change public disclosure issues.

For thermal plants requiring cooling water, reduced availability of water resulting from climate change could adversely impact operations or the costs of operations.

**The facilities and operations of TEC could be affected by natural disasters or other catastrophic events.**

TEC's facilities and operations are exposed to potential damage and partial or complete loss resulting from environmental disasters (e.g., hurricanes, floods, high winds, fires and earthquakes), equipment failures, terrorist or physical attacks, vandalism, a major accident or incident at one of the sites, and other events beyond the control of TEC. The operation of generation, transmission and distribution systems involves certain risks, including gas leaks, fires, explosions, pipeline ruptures, damage to solar panels and other generation assets, and other hazards and risks that may cause unforeseen interruptions, personal injury, death, or property damage. There have also been physical attacks on critical infrastructure around the world. In the event of a physical attack that disrupts service to customers, revenues would be reduced, and costs would be incurred to repair and restore systems. These types of events, either impacting TEC's facilities or the industry in general, could cause TEC to incur additional security and insurance-related costs, and could have adverse effects on its business and financial results. Any costs relating to such events may not be recoverable through insurance or rates.

**TEC is exposed to potential risks related to cyberattacks and unauthorized access, which could cause system failures, disrupt operations or adversely affect safety.**

TEC increasingly relies on information technology systems and network infrastructure to manage its business and safely operate its assets, including controls for interconnected systems of generation, distribution and transmission and financial, billing and other business systems. TEC also relies on third party service providers to conduct business. As TEC operates critical infrastructure, it may be at greater risk of cyberattacks by third parties, which could include nation-state controlled parties.

Cyberattacks can reach TEC's networks with access to critical assets and information via their interfaces with less critical internal networks or via the public internet. Cyberattacks can also occur via personnel with direct access to critical assets or trusted networks. An outbreak of infectious disease, a pandemic or a similar public health threat, such as COVID-19, may cause disruption in normal working patterns including wide scale "work from home" policies, which could increase cybersecurity risk as the quantity of both cyberattacks and network interfaces increases. Refer to the "Public Health Risk" section below. Methods used to attack critical assets could include general purpose or energy-sector-specific malware delivered via network transfer, removable media, viruses, attachments or links in e-mails. The methods used by attackers are continuously evolving and can be difficult to predict and detect.

TEC's systems, assets and information could experience security breaches that could cause system failures, disrupt operations or adversely affect safety. Such breaches could compromise customer, employee-related or other information systems and could result in loss of service to customers or the unavailability, release, destruction or misuse of critical, sensitive or confidential information. These breaches could also delay delivery or result in contamination or degradation of hydrocarbon products TEC transports, stores or distributes.

Should such cyberattacks or unauthorized accesses materialize, TEC could suffer costs, losses and damages, all or some of which may not be recoverable through insurance, legal, regulatory cost recovery or other processes. If not recovered through these means, they could materially adversely affect TEC's business and financial results including its reputation and standing with

customers, regulators, governments and financial markets. Resulting costs could include, amongst others, response, recovery and remediation costs, increased protection or insurance costs and costs arising from damages and losses incurred by third parties. If any such security breaches occur, there is no assurance that they can be adequately addressed in a timely manner.

With respect to certain of its assets, TEC is required to comply with rules and standards relating to cybersecurity and information technology including, but not limited to, those mandated by bodies such as the North American Electric Reliability Corporation. TEC cannot be assured that its operations will not be negatively impacted by a cyberattack.

**Continued effects of the ongoing COVID-19 pandemic, or an outbreak of infectious disease, another pandemic or a similar public health threat could have a negative impact on TEC's operations.**

An outbreak of infectious disease, a pandemic or a similar public health threat, such as the ongoing COVID-19 pandemic, or a fear of any of the foregoing, could adversely impact TEC, including by causing operating, supply chain and project development delays and disruptions, labor shortages and shutdowns (including as a result of government regulation and prevention measures), and delays in regulatory decisions and proceedings, which could have a negative impact on TEC's operations.

Any adverse changes in general economic and market conditions arising as a result of a public health threat could negatively impact demand for electricity and natural gas, revenue, operating costs, timing and extent of capital expenditures, results of financing efforts, or credit risk, counterparty risk and collection risk, which could result in a material adverse effect on TEC's business.

**Financial, Economic, and Market Risks**

**National and local economic conditions can have a significant impact on the results of operations, net income and cash flows at TEC.**

The business of TEC is concentrated in Florida. If economic conditions decline, retail customer growth rates may stagnate or decline, and customers' energy usage may decline, adversely affecting TEC's results of operations, net income and cash flows. A factor in customer growth in Florida is net in-migration of new residents, both domestic and non-U.S. A slowdown in the U.S. economy could reduce the number of new residents and slow customer growth.

**Potential competitive changes may adversely affect TEC.**

There is competition in wholesale power sales across the United States. Some states have mandated or encouraged competition at the retail level and, in some situations, required divestiture of generating assets. While there is active wholesale competition in Florida, the retail electric business has remained substantially free from direct competition. Changes in the competitive environment occasioned by legislation, regulation, market conditions or initiatives of other electric power providers or voters, particularly with respect to retail competition, could adversely affect Tampa Electric's business and its expected performance.

Florida electric utilities, including Tampa Electric, currently benefit from operating in a regulated environment with limited competition in their market for retail customers. However, the commercial and regulatory frameworks under which Tampa Electric operates can be impacted by changes in government and shifts in government policy. These include initiatives regarding deregulation or restructuring of the energy industry, which may result in increased competition and unrecovered costs that could adversely affect operations, net income and cash flows.

The gas distribution industry has been subject to competitive forces for several years. Gas services provided by PGS are unbundled for all non-residential customers. Because PGS earns on the distribution of gas but not on the commodity itself, unbundling has not negatively impacted PGS's results. However, future structural changes could adversely affect PGS.

**TEC relies on some natural gas transmission assets that it does not own or control to deliver natural gas.**

TEC depends on transmission facilities owned and operated by other utilities and energy companies to deliver the natural gas it sells to the wholesale and retail markets. If transmission is disrupted, or if capacity is inadequate, its ability to sell and deliver products and satisfy its contractual and service obligations could be adversely affected.

**Disruption of fuel supply could have an adverse impact on the financial condition of TEC.**

Tampa Electric and PGS depend on third parties to supply fuel, including natural gas, oil and coal. As a result, there are risks of supply interruptions and fuel-price volatility. Disruption of fuel supplies or transportation services for fuel, whether because of weather-related problems, strikes, lock-outs, break-downs of transportation facilities, pipeline failures or other events, could impair the ability to deliver electricity and gas or generate electricity and could adversely affect operations. The loss of fuel suppliers or the

inability to renew existing coal and natural gas contracts at favorable terms could significantly affect the ability to serve customers and have an adverse impact on the financial condition and results of operations of TEC.

**Commodity price changes may affect the operating costs and competitive positions of TEC's businesses.**

TEC's businesses are sensitive to changes in gas, coal, oil and other commodity prices. Any changes in the availability of these commodities could affect the prices charged by suppliers as well as suppliers' operating costs and the competitive positions of their products and services.

In the case of Tampa Electric, fuel costs used for generation are affected primarily by the cost of natural gas and coal. Tampa Electric is able to recover prudently incurred costs of fuel through retail customers' bills, but increases in fuel costs affect electric prices and, therefore, the competitive position of electricity against other energy sources.

The ability to make sales of, and the margins earned on, wholesale power sales are affected by the cost of fuel to Tampa Electric, particularly as it compares to the costs of other power producers.

In the case of PGS, costs for purchased gas and pipeline capacity are recovered through retail customers' bills, but increases in gas costs affect total retail prices and, therefore, the competitive position of PGS as compared to electricity, other forms of energy and other gas suppliers.

**Developments in technology could reduce demand for electricity and gas.**

Research and development activities are ongoing for new technologies that produce power or reduce power consumption. These technologies include renewable energy, customer-oriented generation, energy storage, energy efficiency and more energy-efficient appliances and equipment. Advances in these or other technologies could reduce the cost of producing electricity or transporting gas, or otherwise make Tampa Electric's existing generating facilities uneconomic. Advances in such technologies could reduce demand for electricity or natural gas, which could negatively impact the results of operations, net income and cash flows of TEC.

**Results at TEC may be affected by changes in customer energy-usage patterns.**

For the past several years, at Tampa Electric and electric utilities across the United States, weather-normalized electricity consumption per residential customer has declined due to the combined effects of voluntary conservation efforts and improvements in equipment efficiency.

Forecasts by TEC are based on normal weather patterns and trends in customer energy-usage patterns. TEC could be negatively impacted if customers further reduce their energy usage in response to increased energy efficiency, economic conditions or other factors.

**Increased customer use of distributed generation could adversely affect Tampa Electric.**

In many areas of the United States, including in the markets where TEC operates, there is growing use of rooftop solar panels, small wind turbines and other small-scale methods of power generation, known as distributed generation. Distributed generation is encouraged and supported by various constituent groups, tax incentives, renewable portfolio standards and special rates designed to support such generation.

Increased usage of distributed generation can reduce utility electricity sales but does not reduce the need for ongoing investment in infrastructure to maintain or expand the transmission and distribution grid to reliably serve customers. Continued utility investment that is not supported by increased energy sales causes rates to increase for customers, which could further reduce energy sales and reduce future earnings and cash flows.

**Failure to attract and retain an appropriately qualified workforce, or workforce disruptions, could adversely affect TEC's financial results.**

Events such as increased retirements due to an aging workforce or the departure of employees for other reasons without appropriate replacements, mismatch of skill sets to future needs, or unavailability of contract resources may lead to operating challenges such as lack of resources, loss of knowledge, and a lengthy time period associated with skill development. Failure to attract and hire employees, including the ability to transfer significant internal historical knowledge and expertise to the new employees, or workforce disruptions due to work stoppages or strikes, or the future availability and cost of contract labor may cause costs to operate TEC's systems to rise. If TEC is unable to successfully attract and retain an appropriately qualified workforce, results of operations could be negatively impacted.

**Potential state or local law and regulation changes may adversely affect PGS.**

Recently state and local policies in certain jurisdictions in the United States have sought to prevent or limit the ability of utilities to provide customers the choice to use natural gas. Changes in applicable state or local laws and regulations could adversely impact PGS.

**Liquidity and Capital Requirements Risks**

**TEC's indebtedness could adversely affect its business, financial condition and results of operations, as well as its ability to meet its payment obligations on its debt.**

TEC has indebtedness that it is obligated to pay. It must meet certain financial covenants as defined in the applicable agreements to borrow under its credit facilities. Also, TEC has certain restrictive covenants in specific agreements and debt instruments. The level of TEC's indebtedness and potential inability to meet the requirements of the restrictive covenants contained in its debt obligations could have significant consequences to its business, could create risk for the holders of its debt, and could limit its ability to obtain additional financing (see **Management's Discussion & Analysis – Significant Financial Covenants** section). Such risks include:

- making it more difficult for TEC to satisfy its debt obligations and other ongoing business obligations, which may result in defaults;
- events of default if it fails to comply with the financial and other covenants contained in the agreements governing such debt, which could result in all of its debt becoming immediately due and payable or require it to negotiate an amendment to financial or other covenants that could cause it to incur additional fees and expenses;
- reducing the availability of cash flow to finance its business and limiting its ability to obtain additional financing for these purposes;
- increasing its vulnerability to the impact of adverse economic and industry conditions;
- limiting its flexibility in planning for, or reacting to, and increasing its vulnerability to, changes in its business and the overall economy;
- and increasing its cost of borrowing.

TEC has obligations that do not appear on its balance sheet, such as letters of credit. To the extent material, these obligations are disclosed in the notes to the financial statements.

**Financial market conditions could limit TEC's access to capital and increase TEC's costs of borrowing or refinancing, or have other adverse effects on its results.**

TEC has debt maturing in subsequent years, which TEC anticipates will need to be refinanced. Future financial market conditions could limit TEC's ability to raise the capital it needs and could increase its interest costs, which could reduce earnings and cash flows.

**Declines in the financial markets or in interest rates used to determine benefit obligations could increase TEC's pension expense or the required cash contributions to maintain required levels of funding for its plan.**

TEC is a participant in the comprehensive retirement plans of TECO Energy. Under calculation requirements of the Pension Protection Act, as of the January 1, 2021 measurement date, TECO Energy's pension plan was fully funded. Any future declines in the financial markets or interest rates could increase the amount of contributions required to fund its pension plan in the future and could cause pension expense to increase.

**TEC's financial condition and results could be adversely affected if its capital expenditures are greater than forecast or costs are not recoverable through rates.**

TEC's capital plan includes significant investments in generation, infrastructure modernization and customer-focused technologies. Any projects planned or currently in construction, particularly significant capital projects, may be subject to risks including, but not limited to, impact on costs from schedule delays, risk of cost overruns, ensuring compliance with operating and environmental requirements and other events within or beyond TEC's control. Total costs may be higher than estimated, and there can be no assurance that TEC will be able to obtain the necessary project approvals, regulatory outcomes or applicable permits at the federal, state and or local level to recover such expenditures through regulated rates. If TEC's capital expenditures exceed the forecasted levels or are not recoverable, it may need to draw on credit facilities or access the capital markets on unfavorable terms.

**TEC's financial condition and ability to access capital may be materially adversely affected by multiple ratings downgrades to below investment grade.**

The senior unsecured debt of TEC is rated by S&P at 'BBB+', by Moody's at 'A3' and by Fitch at 'A'. A downgrade to below investment grade by the rating agencies, which would require a four-notch downgrade by Moody's and Fitch and a three-notch downgrade by S&P, may affect TEC's ability to borrow, may change requirements for future collateral or margin postings, and may increase financing costs, which may decrease earnings. Downgrades could adversely affect TEC's relationships with customers and counterparties.

In the event TEC's ratings were downgraded to below investment grade, certain agreements could require immediate payment or full collateralization of net liability positions. Counterparties to its derivative instruments could request immediate payment or full collateralization of net liability positions. Credit provisions in long-term gas transportation agreements would give the transportation providers the right to demand collateral, which is estimated to be approximately \$166 million.

**Item 2. PROPERTIES**

TEC believes that the physical properties of its operating companies are adequate to carry on their businesses as currently conducted. The properties of Tampa Electric are subject to a first mortgage bond indenture under which no bonds are currently outstanding.

**TAMPA ELECTRIC**

Tampa Electric has electric generating stations in service, with a December 2021 net winter generating capability of 5,919 MWs. Tampa Electric assets include the Big Bend Power Station (1,687 MWs capacity), the Bayside Power Station (2,083 capacity) and the Polk Power Station (1,420 MWs capacity). Also included in Tampa Electric's assets at December 31, 2021 are fourteen solar arrays (729 MWs). In addition, three solar arrays totaling 152 MWs are planned to be put in service in the first quarter of 2022.

Tampa Electric owns 197 substations having an aggregate transformer capacity of 24,900 mega volts amps. The transmission system consists of approximately 1,345 total circuit miles of high voltage transmission lines, including underground and double-circuit lines. The distribution system consists of approximately 6,235 circuit miles of overhead lines and approximately 5,902 circuit miles of underground lines. As of December 31, 2021, there were 824,060 meters in service. All of this property is located in Florida.

Tampa Electric's property, plant and equipment are owned, except that titles to some of the properties are subject to easements, leases, contracts, covenants and similar encumbrances common to properties of the size and character of those of Tampa Electric.

Tampa Electric has easements or other property rights for rights-of-way adequate for the maintenance and operation of its electrical transmission and distribution lines that are not constructed upon public highways, roads and streets. Transmission and distribution lines located in public ways are maintained under franchises or permits.

Tampa Electric has a long-term lease for the office building in downtown Tampa, which serves as headquarters for TECO Energy, Tampa Electric and PGS.

**PEOPLES GAS SYSTEM**

PGS's distribution system extends throughout the areas it serves in Florida and consists of approximately 22,500 miles of pipe, including approximately 14,400 miles of mains and 8,100 miles of service lines. Mains and service lines are maintained under rights-of-way, franchises or permits.

PGS's operations are located in 14 service areas throughout Florida. Most of the operations and administrative facilities are owned.

**Item 3. LEGAL PROCEEDINGS**

From time to time, TEC is involved in various legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies in the ordinary course of business. Where appropriate, accruals are made in accordance with accounting standards for contingencies to provide for matters that are probable of resulting in an estimable loss. For a discussion of legal proceedings and environmental matters, see **Note 8** of the **2021 Annual TEC Consolidated Financial Statements**.

## PART II

### Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

All of TEC's common stock is owned by TECO Energy, which in turn is owned by a subsidiary of Emera and, thus, is not listed on a stock exchange. Therefore, there is no market for such stock.

### Item 6. [RESERVED]

### Item 7. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITIONS & RESULTS OF OPERATIONS

#### OVERVIEW

TEC has regulated electric and gas utility operations in Florida. At December 31, 2021, Tampa Electric served approximately 810,600 customers in a 2,000-square-mile service area in West Central Florida and had electric generating plants with a winter peak generating capacity of 5,919 MW. PGS, Florida's largest gas distribution utility, served approximately 445,300 residential, commercial, industrial and electric power generating customers at December 31, 2021 in all major metropolitan areas of the state, with a total natural gas throughput of approximately 1.9 billion therms in 2021.

TEC is a wholly owned subsidiary of TECO Energy, and TECO Energy is a wholly owned subsidiary of Emera. Therefore, TEC is an indirect, wholly owned subsidiary of Emera. See **Note 10** to the **2021 Annual TEC Consolidated Financial Statements** for information regarding related party transactions.

#### 2021 PERFORMANCE

All amounts included in this MD&A are pre-tax, except net income and income taxes.

In 2021, TEC's net income was \$446 million, compared with \$424 million in 2020. 2021 results were impacted by higher base revenues at PGS, lower O&M, excluding all FPSC-approved cost-recovery clauses, at Tampa Electric and higher AFUDC at Tampa Electric, partially offset by higher depreciation expense at Tampa Electric and PGS. See **Operating Results** below for further detail regarding 2021 results as compared to 2020. For information regarding 2020 results as compared to 2019, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of **TEC's Annual Report on Form 10-K** for the year ended December 31, 2020.

#### OUTLOOK

TEC's earnings are most directly impacted by the allowed rate of return on equity and the capital structures approved by the FPSC, the prudent management of operating costs, the approved recovery of regulatory deferrals, weather and its impact on energy sales, and the timing and amount of capital expenditures.

Tampa Electric anticipates earning within its ROE range in 2022. New base rates effective January 1, 2022 will result in Tampa Electric 2022 earnings to be higher than in 2021. Tampa Electric sales volumes in 2022 are expected to be similar to 2021, which benefited from weather that was warmer than normal (a 20-year statistical degree day average). Tampa Electric expects customer growth rates in 2022 to be consistent with 2021, reflective of current expected economic growth in Florida.

In 2022, PGS anticipates earning within its allowed ROE range and expects rate base and earnings to be higher than in 2021. PGS expects favorable customer growth in 2022, following Florida population growth and housing demand. PGS residential and commercial sales volumes in 2022 are expected to increase at a level consistent with customer growth.

On August 6, 2021, Tampa Electric filed with the FPSC a joint motion for approval of a settlement agreement dated as of August 6, 2021 (the Settlement Agreement) by and among Tampa Electric and the intervenors in Tampa Electric's rate case filed with the FPSC in April 2021. The Settlement Agreement agrees to an increase in base rates annually effective with January 2022 bills, to generate a \$191 million increase in revenue consisting of \$123 million of traditional base rate charges and \$68 million in a new charge to recover the costs of retiring assets. The Settlement Agreement further includes two subsequent year adjustments of \$90 million and \$21 million, effective January 2023 and January 2024, respectively. Under the agreement, the allowed equity in the capital structure will continue to be 54% from investor sources of capital. The Settlement Agreement includes an allowed regulatory ROE range of 9.0% to 11.0% with a 9.95% midpoint. The Settlement Agreement allows a 25 basis point increase in the allowed ROE range and midpoint, and \$10 million of additional revenue, if the average 30-year United States Treasury Bond yield rate for any period of six



consecutive months is at least 50 basis points greater than the yield rate on the date the FPSC votes to approve the agreement. Under the agreement, base rates will not change from January 1, 2022 through December 31, 2024, unless Tampa Electric's earned ROE were to fall below the bottom of the range during that time. The Settlement Agreement contains a provision whereby Tampa Electric agrees to quantify the future impact of a decrease or increase in corporate income tax rates on net operating income through a reduction or increase in base revenues within 180 days of when such tax change becomes law or its effective date. The Settlement Agreement further creates a mechanism to recover the costs of retiring coal generation units and meter assets over a period of 15 years which survives the term of that agreement. The Settlement Agreement sets new depreciation and dismantlement rates effective January 1, 2022 and contains the provisions that Tampa Electric will not have to file another depreciation study during the term of the agreement but will file a new depreciation study no more than one year, nor less than 90 days, before the filing of its next general base rate proceeding. Additionally, Tampa Electric agreed to a financial hedging moratorium for natural gas ending on December 31, 2024. On October 21, 2021, the FPSC approved the Settlement Agreement and the final order, reflecting such approval, was issued on November 10, 2021. See **Note 3** to the **2021 Annual TEC Consolidated Financial Statements** for further information.

In January 2022, Tampa Electric requested a mid-course adjustment to its fuel and capacity charges to recover an additional \$169 million, effective with April 2022 customer bills, due to an increase in fuel commodity and capacity costs. The FPSC is expected to issue its decision in March 2022.

Tampa Electric has a capital investment program that supports achieving its goal to reduce CO<sub>2</sub> emissions to 60% of 2000 levels by 2025. Since 2000, Tampa Electric has reduced its CO<sub>2</sub> emissions by more than 50%.

In 2022, TEC expects to invest approximately \$1.4 billion, excluding AFUDC, in capital projects consistent with \$1.4 billion in 2021. Capital projects support normal system reliability and growth at the utilities. AFUDC will be earned on eligible capital projects during the construction periods. Tampa Electric investments include continuation of the modernization of the Big Bend Power Station, solar investments, grid modernization and storm hardening investments. PGS expects to make investments to expand its system and support customer growth, including expected investments related to compressed natural gas fueling stations, renewable natural gas, technology improvements and continued replacement of obsolete plastic, cast iron and bare steel pipe. See **Capital Investments** below for further information.

These forecasts are based on our current assumptions described in the operating company discussion, which are subject to risks and uncertainties (see the **Risk Factors** section).

## COVID-19 PANDEMIC

The COVID-19 pandemic did not have a material financial impact on TEC's earnings in 2021. TEC's top priority continues to be the health and safety of its customers and employees. Management continues to monitor developments, economic conditions and recommendations by local and national public health authorities related to COVID-19 and is adjusting operational requirements as needed.

To date, customer defaults have not been material and as of December 31, 2021 and 2020, adjustments to the allowance for credit losses have not had a material impact on the financial statements. TEC is continuing to monitor customer accounts and to work with customers on payment arrangements.

The extent of the future impact of the COVID-19 pandemic on TEC's financial results and business operations is uncertain at this time but is not expected to have a material financial impact in 2022.

## OPERATING RESULTS

This MD&A utilizes TEC's consolidated financial statements, which have been prepared in accordance with U.S. GAAP. Our reported operating results are affected by several critical accounting estimates (see the **Critical Accounting Policies and Estimates** section).

The following table shows the revenues and net income of the business segments on a U.S. GAAP basis (see **Note 11** to the **2021 Annual TEC Consolidated Financial Statements**).

(millions)	2021	2020	2019
<b>Revenues</b>			
Tampa Electric	\$ 2,174	\$ 1,849	\$ 1,965
PGS	528	433	461
Eliminations	(7)	(10)	(22)
<b>TEC</b>	<b>\$ 2,695</b>	<b>\$ 2,272</b>	<b>\$ 2,404</b>
<b>Net income</b>			
Tampa Electric	\$ 369	\$ 372	\$ 316
PGS	77	52	54
<b>TEC</b>	<b>\$ 446</b>	<b>\$ 424</b>	<b>\$ 370</b>

## TAMPA ELECTRIC

### Electric Operations Results

Tampa Electric's net income in 2021 was \$369 million, compared with \$372 million in 2020. Results primarily reflected higher depreciation expense, partly due to a \$16 million intangible software amortization credit in 2020 due to a regulatory agreement approved by the FPSC, and lower base revenues, partially offset by higher AFUDC earnings and lower O&M expense, excluding all FPSC-approved cost-recovery clauses. Base revenues are energy sales excluding revenues from clauses, gross receipts taxes and franchise fees. Clauses, gross receipts taxes and franchise fees do not have a material effect on net income as these revenues substantially represent a dollar-for-dollar recovery of clause and other pass-through costs. See the **Operating Revenues** and **Operating Expenses** sections below for additional information.

The table below provides a summary of Tampa Electric's revenue and expenses and energy sales by customer type.

### Summary of Operating Results

(millions, except customers and total degree days)	2021	% Change	2020	% Change	2019
<b>Revenues</b>	<b>\$ 2,174</b>	<b>18</b>	<b>\$ 1,849</b>	<b>(6)</b>	<b>\$ 1,965</b>
O&M expense	416	4	401	(2)	408
Depreciation and amortization expense	374	10	339	1	336
Taxes, other than income	181	12	161	(2)	165
<b>Non-fuel operating expenses</b>	<b>971</b>	<b>8</b>	<b>901</b>	<b>(1)</b>	<b>909</b>
Fuel expense	607	76	345	(35)	533
Purchased power expense	106	28	83	69	49
<b>Total fuel &amp; purchased power expense</b>	<b>713</b>	<b>67</b>	<b>428</b>	<b>(26)</b>	<b>582</b>
<b>Total operating expenses</b>	<b>1,684</b>	<b>27</b>	<b>1,329</b>	<b>(11)</b>	<b>1,491</b>
<b>Operating income</b>	<b>\$ 490</b>	<b>(6)</b>	<b>\$ 520</b>	<b>10</b>	<b>\$ 474</b>
AFUDC-equity	\$ 41	52	\$ 27	145	\$ 11
Provision for income taxes	\$ 57	(14)	\$ 66	12	\$ 59
<b>Net income</b>	<b>\$ 369</b>	<b>(1)</b>	<b>\$ 372</b>	<b>18</b>	<b>\$ 316</b>
<b>Megawatt-Hour Sales (thousands)</b>					
Residential	9,941	(2)	10,122	6	9,584
Commercial	6,144	1	6,058	(3)	6,240
Industrial	2,122	12	1,891	(6)	2,021
Other	1,886	0	1,883	(3)	1,939
<b>Total retail</b>	<b>20,093</b>	<b>1</b>	<b>19,954</b>	<b>1</b>	<b>19,784</b>
Off system sales	114	52	75	(52)	155
<b>Total energy sold</b>	<b>20,207</b>	<b>1</b>	<b>20,029</b>	<b>0</b>	<b>19,939</b>
<b>Retail customers—(thousands)</b>					
At December 31	811	2	793	2	779
Retail net energy for load	21,033	(0)	21,055	1	20,770
<b>Total degree days</b>	<b>4,565</b>	<b>(5)</b>	<b>4,807</b>	<b>5</b>	<b>4,568</b>

## Operating Revenues

Revenues were \$325 million higher than in 2020 primarily due to higher clause revenue driven by increased fuel costs. Base revenue was \$11 million lower than in 2020 due to certain revenues now being recovered through the Storm Protection Plan Cost Recovery Clause and mild weather compared to 2020, partially offset by customer growth and higher base rates from additional solar generation projects being placed in-service. Total degree days (a measure of heating and cooling demand) in Tampa Electric's service area in 2021 were 6% above normal and 5% below 2020. Total net energy for load, which is a calendar measurement of energy output, was consistent with 2020.

## Customer and Energy Sales Growth Outlook

The Tampa labor market continues to outperform the state and U.S. labor markets. Due to the reopening of businesses that had closed due to the COVID-19 pandemic, the Tampa area unemployment rate decreased to 4.4% in 2021 from 7.2% in 2020. Similarly, Florida's unemployment rate decreased to 4.9% in 2021 from 7.8% in 2020 and the U.S. rate dropped to 5.4% from 8.1% in 2020. The unemployment rate in the Tampa area is expected to decline over the next few years.

Population growth in the area is forecasted to continue to be a major driver of customer growth. Tampa Electric expects customer growth to be 1.5% to 2.0% annually over the next few years, assuming continued economic recovery from COVID-19 and business expansion.

For the past several years, weather-normalized energy consumption per customer declined due to the combined effects of voluntary conservation efforts, improvements in lighting and equipment efficiency. It is expected to continue to decline annually at an average annual rate of 0.8% over the next few years.

In 2022, retail energy sales are expected to be similar to 2021 levels. In 2021, energy sales benefitted from weather that was warmer than normal, while 2022 projections are based on normal weather. Normalizing 2021 for weather, 2022 energy sales are projected to increase over 2021 primarily due to customer growth and recovery from the COVID-19 pandemic. Over the longer term, residential energy sales growth is expected to be around 1.2% and total energy sales growth around 0.8%.

## Operating Expenses

In 2021, operations and maintenance expense, excluding all FPSC-approved cost-recovery clauses, was \$14 million lower than in 2020 primarily reflecting lower benefits expense and lower transmission and distribution costs related to the recovery of Storm Protection Plan clause expense previously recorded in non-clause O&M, partially offset by higher insurance costs related to increased solar generation. Depreciation and amortization expense, excluding all FPSC-approved cost-recovery clauses, increased \$30 million in 2021 from normal additions to facilities to reliably serve customers and the in-service of solar generation projects, and a \$16 million intangible software amortization credit in 2020 due to a regulatory agreement approved by the FPSC.

Excluding all FPSC-approved cost-recovery clause-related expense, O&M expense in 2022 is expected to remain consistent with 2021 reflecting cost control efforts. In 2022, depreciation expense is expected to increase due to solar project timings and other plant additions.

## Fuel Prices and Fuel Cost Recovery

In 2021, the FPSC approved cost-recovery rates for fuel and purchased power, capacity, environmental, conservation and storm protection costs for 2022. The rates include the expected cost for natural gas and coal in 2022, and a net prior period under-recovery true-up of fuel, purchased power and capacity clause expense. These rates are typically set annually, based on information provided in September of the year prior to the year the rates take effect.

In July 2021, Tampa Electric requested a mid-course adjustment to its fuel and capacity charges, effective with September 2021 customer bills, due to an increase in fuel commodity and capacity costs in 2021. On August 3, 2021, the FPSC approved the request to recover \$83 million of additional costs during the months of September through December 2021.

Total fuel expense increased in 2021 from 2020 primarily due to higher natural gas prices. Delivered natural gas prices increased 67% in 2021 as demand from a strong economic recovery outpaced supply.

Total 2022 fuel and purchased power costs are expected to be greater than in 2021, due to increased prices for natural gas. In January 2022, Tampa Electric requested a mid-course adjustment to its fuel and capacity charges to recover an additional \$169 million, effective with April 2022 customer bills, due to an increase in fuel commodity and capacity costs. The FPSC is expected to issue its decision in March 2022.

## PGS

### Operating Results

In 2021, PGS reported net income of \$77 million, compared with \$52 million in 2020. Results reflect a 4.5% increase in the number of customers in 2021 compared to 2020. Revenues were \$95 million higher than in the prior year primarily due to higher base rates that went into effect January 2021, customer growth, higher PGA clause-related revenues, and decreased commercial sales in 2020 resulting from COVID-19. These revenue increases were partially offset by lower revenue from the cast iron bare steel replacement rider that is now being recovered through the new base rates and lower off-system sales in 2021. The base revenues increase excluding the shift of cast iron bare steel rider-related revenue was \$56 million. Operations and maintenance expense, excluding all FPSC-approved cost-recovery clauses, was \$6 million higher than in 2020 primarily due to higher labor and benefit costs to operate and maintain the growing distribution system and higher insurance costs. Depreciation and amortization increased \$10 million due to asset growth (see **Note 3** to the **TEC Consolidated Financial Statements**).

In 2021 and 2020, total throughput for PGS was approximately 1.9 billion therms and 2.1 billion therms, respectively. See **Business - Peoples Gas System- Gas Operations** for information regarding therms by type of customer.

PGS provides transportation service to customers utilizing gas-fired technology in the production of electric power. In addition, PGS provides gas transportation service to large LNG facilities located in Jacksonville, Florida. PGS has also experienced interest in the usage of CNG as an alternative fuel for vehicles, especially refuse trucks and buses. Therms sold to CNG stations in 2021 and 2020 were 39 million therms and 36 million therms, respectively. Currently, there are 56 CNG fueling stations connected to the PGS system. PGS owns three CNG filling stations, and the cost of these stations is recovered over time through a special rate approved by the FPSC. CNG conversions add therm sales to the gas system without requiring significant capital investment by PGS.

The table below provides a summary of PGS's revenue and expenses and therm sales by customer type.

### Summary of Operating Results

<i>(millions, except customers)</i>	2021	% Change	2020	% Change	2019
Revenues	\$ 528	22	\$ 433	(6)	\$ 461
Cost of gas sold	155	28	121	(20)	152
Operating expenses	256	11	231	4	222
Operating income	\$ 117	44	\$ 81	(7)	\$ 87
Net income	\$ 77	48	\$ 52	(4)	\$ 54
Therms sold – by customer segment					
Residential	100	10	91	7	85
Commercial	518	9	476	(8)	517
Industrial	456	(1)	460	7	430
Off-system sales	48	(62)	126	(33)	188
Power generation	815	(15)	955	12	853
Total	1,937	(8)	2,108	2	2,073
Therms sold – by sales type					
System supply	181	(25)	241	(19)	296
Transportation	1,756	(6)	1,867	5	1,777
Total	1,937	(8)	2,108	2	2,073
Customer (thousands) – at December 31	445	4	426	5	406

See **Business-Peoples Gas System-Competition** for information regarding PGS's transportation-only customers.

### PGS Outlook

In 2022, PGS anticipates earning within its allowed ROE range and expects rate base and earnings to be higher than in 2021. PGS expects customer growth in 2022 to be higher than Florida's population growth rates, reflecting expectations of continued strong housing demand in Florida. Assuming normal weather, PGS sales volumes are expected to increase consistent with customer growth.

Excluding all FPSC-approved cost-recovery clause-related expenses, O&M expense in 2022 is expected to be higher than in 2021, driven by initiatives to enhance the customer experience and safely and reliably operate and maintain a growing distribution system. Due to the projected reversal of accumulated depreciation as provided for in PGS's 2020 settlement agreement (see **Note 3** to the **2021 Annual TEC Consolidated Financial Statements** for further information), depreciation and amortization expense is expected to decrease in 2022.

In addition to the strong residential construction market, PGS is focusing on extending the system to serve large commercial and industrial customers that are currently relying on other energy sources. The relatively low natural gas prices and the lower emissions levels from using natural gas compared to other fuels make it attractive for these customers to convert.

## OTHER ITEMS IMPACTING NET INCOME

### Other Income, Net

Other income, net was \$50 million and \$36 million in 2021 and 2020, respectively, and included AFUDC-equity. AFUDC-equity was \$45 million and \$30 million in 2021 and 2020, respectively. The increase in AFUDC-equity is primarily due to the timing of Tampa Electric's solar projects and the modernization of its Big Bend Power Station as discussed in the **Capital Investments** section below. AFUDC is expected to increase in 2022 due to the timing of construction of the Big Bend modernization, solar generation, grid modernization and PGS expansion projects.

### Interest Expense

In 2021, interest expense, excluding AFUDC-debt, was \$151 million compared to \$144 million in 2020. The increase is due to an increase in borrowings to support TEC's ongoing capital investments program.

Interest expense is expected to increase in 2022, reflecting higher balances and interest rates.

### Income Taxes

The provision for income taxes decreased in 2021 primarily due to higher tax benefits due to AFUDC and ITC amortization related to solar projects, partially offset by higher pre-tax income and lower R&D tax credits. Income tax expense as a percentage of income before taxes was 15.2% in 2021 and 16.2% in 2020. TEC expects the 2022 annual effective tax rate to be approximately 19%.

TEC is included in a consolidated U.S. federal income tax return with EUSHI and its subsidiaries. TEC's income tax expense is based upon a separate return method, modified for the benefits-for-loss allocation in accordance with TECO Energy's and EUSHI's respective tax sharing agreements. The cash payments for federal income taxes and state income taxes made under those tax sharing agreements totaled \$62 million and \$14 million in 2021 and 2020, respectively.

For more information on our income taxes, including a reconciliation between the statutory federal income tax rate, the effective tax rate and impacts of tax reform, see **Note 4** to the **2021 Annual TEC Consolidated Financial Statements**.

## LIQUIDITY, CAPITAL RESOURCES

### Balances as of December 31, 2021

(millions)

Credit facilities	\$	1,300
Drawn amounts/LCs		746
Available credit facilities		554
Cash and short-term investments		18
Total liquidity	\$	572

### Cash from Operating Activities

Cash flows from operating activities in 2021 were \$797 million, a decrease of \$32 million compared to 2020. The decrease is primarily due to the timing of fuel clause and conservation clause revenue recovery, higher accounts receivables balances due to increasing fuel prices reflected in customer bills and higher inventory balances due to plant growth, partially offset by the timing of invoice payments and new PGS customer rates going into effect in January 2021.

### Cash from Investing Activities

Cash flows from investing activities in 2021 resulted in a net use of cash of \$1.4 billion, which primarily reflects TEC's investment in capital. See the **Capital Investments** section for additional information.

### Cash from Financing Activities

Cash flows from financing activities in 2021 resulted in net cash inflows of \$608 million. TEC received \$790 million of proceeds from long-term debt, \$580 million of equity contributions from Parent and \$500 million proceeds from the 1-year term credit agreement. These increases in cash flows were partially offset by dividend payments to Parent of \$450 million, repayment of a 1-year term credit agreement of \$300 million, repayment of long-term debt of \$279 million and a decrease in short-term debt with maturities of less than 90 days of \$230 million.

### Cash and Liquidity Outlook

TEC's tariff-based gross margins are the principal source of cash from operating activities. A diversified retail customer mix, primarily consisting of rate-regulated residential, commercial, and industrial customers, provides TEC with a reasonably predictable source of cash. In addition to using cash generated from operating activities, TEC uses available cash and credit facility and commercial paper borrowings to support normal operations and capital requirements. TEC may reduce short-term borrowings with cash from operations, long-term borrowings, or capital contributions from Parent. TEC expects to make significant capital expenditures in 2022 as it invests in solar projects, the modernization of the Big Bend power plant, gas distribution system expansion and other projects. See **Capital Investments** section below for further detail on TEC's projected capital expenditures. TEC intends to fund those capital expenditures with available cash on hand, cash generated from operating activities, cash from equity contributions and debt issuances so that Tampa Electric and PGS maintain their capital structures consistent with the regulatory arrangements. Debt raised is subject to applicable regulatory approvals. Future financial market conditions could increase TEC's interest costs which could reduce earnings and cash flows.

As noted earlier, cash from operating activities and short-term borrowings are used to fund capital expenditures, which may result in periodic working capital deficits. The working capital deficit as of December 31, 2021 was primarily caused by short-term borrowings and periodic fluctuations in assets and liabilities related to FPSC clauses and riders. At December 31, 2021, TEC's unused capacity under its credit facilities was \$554 million.

TEC has credit facilities and commercial paper that provide \$1,300 million of credit, including \$500 million maturing in 2022 and \$800 million maturing in 2026. See **Note 6** to the **2021 Annual TEC Consolidated Financial Statements** for additional information regarding the credit facilities and commercial paper. TEC expects that its liquidity will be adequate for both the near and long term, given its expected operating cash flows, capital expenditures and related financing plans.

TEC expects cash from operations in 2022 to be higher than in 2021 primarily due to an increase in base rates effective in January 2022, higher cash inflows from fuel and cost of gas sold, and customer growth (see **Note 3** to the **2021 Annual TEC Consolidated Financial Statements**). TEC plans to use cash in 2022 to fund capital spending and to pay dividends to its shareholder. Dividends are paid at the discretion of TEC's Board of Directors.

TEC's credit facilities contain certain financial covenants (see **Covenants in Financing Agreements** section). TEC estimates that it could fully utilize the total available capacity under its facilities in 2022 and remain within the covenant restrictions.

### Short-Term Borrowings

TEC had the following credit facilities and related borrowings as of December 31, 2021 and 2020.

(millions)	December 31, 2021				December 31, 2020		
	Credit	Borrowings	Borrowings	Letters of	Credit	Borrowings	Letters of
	Facilities	Outstanding -	Outstanding -	Credit	Facilities	Outstanding <sup>(1)</sup>	Credit
		Credit Facilities <sup>(1)</sup>	Commercial Paper <sup>(1)</sup>	Outstanding			Outstanding
5-year facility <sup>(2)</sup>	\$ 800	\$ 0	\$ 245	\$ 1	\$ 800	\$ 345	\$ 1
3-year accounts receivable facility <sup>(3)</sup>	0	0	0	0	150	130	0
1-year term facility <sup>(4)</sup>	500	500	0	0	300	300	0
Total	\$ 1,300	\$ 500	\$ 245	\$ 1	\$ 1,250	\$ 775	\$ 1

- (1) Borrowings outstanding are reported as notes payable in the Consolidated Balance Sheets.
- (2) This 5-year facility matures December 17, 2026.
- (3) This 3-year facility matured on March 22, 2021.
- (4) This 1-year term facility was terminated on March 23, 2021. On December 17, 2021, TEC entered into another 1-year term facility that matures on December 16, 2022.

At December 31, 2021, the credit facility required a commitment fee of 12.5 basis points. The weighted average interest rate on outstanding amounts payable under the credit facilities and commercial paper program at December 31, 2021 and 2020 was 0.58% and 0.89%, respectively. For a complete description of the credit facilities see **Note 6** to the **2021 Annual TEC Consolidated Financial Statements**.

(millions)	Maximum drawn amount	Minimum drawn amount	Average drawn amount	Average interest rate
2021 credit facility utilization	\$ 1,080	\$ 0	\$ 458	0.60%

### Significant Financial Covenants

In order to utilize its bank credit facilities, TEC must meet certain financial tests as defined in the applicable agreements. In addition, TEC has certain restrictive covenants in specific agreements and debt instruments. At December 31, 2021, TEC was in compliance with all applicable financial covenants. The table that follows lists the significant financial covenants and the performance relative to them at December 31, 2021. Reference is made to the specific agreements and instruments for more details.

Instrument	Financial Covenant <sup>(1)</sup>	Requirement/Restriction	Calculation at December 31, 2021
Credit facility- \$800 million <sup>(2)</sup>	Debt/capital	Cannot exceed 65%	46.3%
Term facility - \$500 million <sup>(2)</sup>	Debt/capital	Cannot exceed 65%	46.3%

- (1) As defined in each applicable instrument.
- (2) See **Note 6** to the **2021 Annual TEC Consolidated Financial Statements** for a description of the credit facilities.

### Credit Ratings

	Standard & Poor's (S&P)	Moody's	Fitch
Credit ratings of senior unsecured debt	BBB+	A3	A
Credit ratings outlook	Stable	Positive	Stable

S&P, Moody's and Fitch describe credit ratings in the A3 or A category as having a strong capacity to meet its financial commitments. Ratings in the BBB or Baa category are described as representing adequate capacity for payment of financial obligations. The lowest investment grade credit rating for S&P is BBB-, for Moody's is Baa3 and for Fitch is BBB-; thus, the three credit rating agencies assign TEC's senior unsecured debt investment-grade credit ratings.

A credit rating agency rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. TEC's access to capital markets and cost of financing, including the applicability of restrictive financial covenants, are influenced by the ratings of its securities. In addition, certain of TEC's derivative instruments contain provisions that require TEC's debt to maintain investment grade credit ratings.

### Summary of Contractual Obligations

The following table lists the contractual obligations of TEC, including cash payments to repay long-term debt, interest payments, lease payments and unconditional commitments related to capital expenditures.

### Contractual Cash Obligations at December 31, 2021

(millions)	Payments Due by Period						
	Total	2022	2023	2024	2025	2026	After 2026
Long-term debt <sup>(1)</sup>	\$ 3,425	\$ 250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,175
Interest payment obligations <sup>(2)</sup>	2,941	141	133	133	134	134	2,266
Transportation <sup>(3)</sup>	2,951	244	224	215	200	197	1,871
Pension plan <sup>(4)</sup>	0	0	0	0	0	0	0
Capital projects <sup>(5)</sup>	265	202	63	0	0	0	0
Fuel and gas supply <sup>(3)</sup>	376	349	27	0	0	0	0
Purchased power	2	2	0	0	0	0	0
Long-term service agreements <sup>(6)</sup>	180	20	42	27	19	20	52
Operating leases	60	3	3	3	2	1	48
Demand side management <sup>(3)</sup>	4	2	1	1	0	0	0
Total contractual obligations	\$ 10,204	\$ 1,213	\$ 493	\$ 379	\$ 355	\$ 352	\$ 7,412

- (1) Includes debt at Tampa Electric and PGS (see the **Consolidated Statements of Capitalization** and **Note 7** to the **2021 Annual TEC Consolidated Financial Statements** for a list of long-term debt and the respective due dates).
- (2) Future interest payments are calculated based on the assumption that all debt is outstanding until maturity. For debt instruments with variable rates, interest is calculated for all future periods using the rates in effect at December 31, 2021.
- (3) These payment obligations under contractual agreements of Tampa Electric and PGS are recovered from customers under regulatory clauses approved by the FPSC (see the **Business** section).
- (4) Under calculation requirements of the Pension Protection Act, as of the January 1, 2021 measurement date, the pension plan was fully funded. Under ERISA guidelines, TEC is not required to make additional cash contributions; however, TEC may elect to make discretionary cash contributions prior to that time. Future contributions are subject to annual valuation reviews, which may vary significantly due to changes in interest rates, discount rate assumptions, plan asset performance, which is affected by investment portfolio performance, and other factors (see **Liquidity, Capital Resources** section and **Note 5** to the **2021 Annual TEC Consolidated Financial Statements**).
- (5) Represents outstanding commitments for major capital projects, including solar projects, the modernization of the Big Bend power plant, storm hardening for the transmission and distribution systems, new technology for distribution system grid modernization and the maintenance and refurbishment of existing generating facilities.
- (6) Represents outstanding commitments for service, including long-term capitalized maintenance agreements for Tampa Electric's CTs.

### Off-Balance Sheet Arrangements and Contingent Obligations

TEC does not have any material off-balance sheet arrangements or contingent obligations not otherwise included in our Consolidated Financial Statements as of December 31, 2021.

### Capital Investments

(millions)	Actual 2021	Forecasted 2022
Tampa Electric <sup>(1)</sup>		
Renewable generation	\$ 236	\$ 225
Transmission	85	75
Distribution	319	370
Generation	319	295
Facilities, equipment, vehicles and other	134	120
Tampa Electric total	1,093	1,085
PGS	308	270
Net cash effect of accruals, retentions and AFUDC	(4)	
Total	\$ 1,397	\$ 1,355

- (1) Individual line items exclude AFUDC-debt and equity.

Tampa Electric invested approximately \$850 million in solar projects during 2017 to 2021 (solar wave I). On February 18, 2020, Tampa Electric announced its intention to invest approximately \$800 million in an additional 600 MW of new utility-scale solar photovoltaic projects by the end of 2023 (solar wave II). As of December 31, 2021, Tampa Electric has invested approximately \$467 million in solar wave II. In addition, Tampa Electric intends to invest approximately \$300 million in an additional 225 MW of new



utility-scale solar photovoltaic projects in 2022 through 2024 (solar wave III). In connection with Tampa Electric's renewable energy plan, Tampa Electric expects to spend approximately \$280 million for 200 MW of battery storage in 2022 through 2024. AFUDC is being earned on these projects during construction.

Tampa Electric expects to invest approximately \$850 million through 2023 to modernize the Big Bend Power Station. This modernization project includes conversion of Unit 1 from coal-fired to natural gas combined-cycle technology and the early retirement of Unit 2. As of December 31, 2021, Tampa Electric has invested approximately \$695 million in this modernization project. AFUDC is being earned on this project during construction. As part of the Big Bend modernization, the two combustion turbines on Unit 1 modernization were placed into service on December 1, 2021.

Tampa Electric's 2021 capital expenditures included solar generation projects, the Big Bend modernization, storm hardening for the transmission and distribution systems, smart meters and the maintenance and refurbishment of existing generating facilities. In 2022, Tampa Electric expects capital expenditures to include solar generation projects, the Big Bend modernization, storm hardening for the transmission and distribution systems, new technology for distribution system grid modernization and the maintenance and refurbishment of existing generating facilities.

Capital expenditures in 2021 for PGS included maintenance of the existing system, expansion of the system and replacement of cast iron, bare steel and obsolete plastic pipe. In addition, PGS expects to invest in 2022 for projects associated with customer growth, system expansion to serve large commercial and industrial customers, including continued interest in CNG vehicle fleets, renewable natural gas facilities and information technology investments. The remainder of PGS's capital expenditure forecast for 2022 includes amounts related to ongoing renewal, replacement and system safety, including the replacement of cast iron, bare steel and obsolete plastic pipe, which is recovered through a rider clause (see the **Business-PGS-Regulation** section).

The forecasted capital expenditures shown above are based on current estimates and assumptions. Actual capital expenditures could vary materially from these estimates due to changes in and timing of projects and changes in costs for materials or labor (see the **Risk Factors** section).

### Capital Structure

Tampa Electric and PGS maintained capital structures consistent with their regulatory arrangements. At December 31, 2021 and 2020, TEC's year-end capital structure was 46% debt and 54% common equity.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements requires management to make various estimates and assumptions that affect revenues, expenses, assets, liabilities and disclosures. The policies and estimates identified below are, in the view of management, the more significant accounting policies and estimates used in the preparation of our consolidated financial statements. These estimates and assumptions are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments under different assumptions or conditions. See **Note 1** to the **2021 Annual TEC Consolidated Financial Statements** for a description of TEC's significant accounting policies and the estimates and assumptions used in the preparation of the consolidated financial statements.

### Regulatory Accounting

Tampa Electric's and PGS's retail businesses and the prices charged to customers are regulated by the FPSC. Tampa Electric's wholesale business is regulated by the FERC. As a result, Tampa Electric and PGS qualify for the application of accounting guidance for certain types of regulation. This guidance recognizes that the actions of a regulator can provide reasonable assurance of the existence of an asset or liability. Regulatory assets and liabilities arise as a result of a difference between U.S. GAAP and the accounting principles imposed by the regulatory authorities. Regulatory assets generally represent incurred costs that have been deferred, as their future recovery in customer rates is probable. Regulatory liabilities generally represent obligations to make refunds to customers from previous collections for costs that are not likely to be incurred.

TEC regularly assesses the probability of recovery of the regulatory assets by considering factors such as regulatory environment changes, recent rate orders to other regulated entities in the same jurisdiction, the current political climate in the state, and the status of any pending or potential deregulation legislation. The assumptions and judgments used by regulatory authorities will continue to have an impact on the recovery of costs, the rate earned on invested capital and the timing and amount of assets to be recovered.

TEC's most significant regulatory liability relates to non-ARO costs of removal and regulatory tax liability. The non-ARO costs of removal represent estimated funds received from customers through depreciation rates to cover future non-legally required cost of

removal of property, plant and equipment upon retirement. TEC accrues for removal costs over the life of the related assets based on depreciation studies approved by the FPSC. The costs are estimated based on historical experience and future expectations, including expected timing and estimated future cash outlays. The regulatory tax liability is the offset to the adjustment to the deferred tax liability remeasured as a result of tax reform. See **Note 4** to the **2021 Annual TEC Consolidated Financial Statements** for further information.

The application of regulatory accounting guidance is a critical accounting policy and estimate since a difference in these assumptions and actual results may result in a material impact on reported assets and the results of operations (see **Note 3** to the **2021 Annual TEC Consolidated Financial Statements**).

## Income Taxes

TEC uses the asset and liability method in the measurement of deferred income taxes. Under the asset and liability method, TEC estimates the current tax exposure and assesses the temporary differences resulting from differing treatment of items, such as depreciation, for financial statement and tax purposes. These differences are reported as deferred taxes measured at enacted rates in the consolidated financial statements. Management reviews all reasonably available current and historical information, including forward-looking information, to determine if it is more likely than not that some or the entire deferred tax asset will not be realized. If TEC determines that it is likely that some or all of a deferred tax asset will not be realized, then a valuation allowance is recorded to report the balance at the amount expected to be realized. At December 31, 2021, TEC does not have a valuation allowance. At December 31, 2021, TEC had a net deferred income tax liability of \$858 million, attributable primarily to property-related items.

See further discussion of uncertainty in income taxes, impacts of tax reform and other tax items in **Note 4** to the **2021 Annual TEC Consolidated Financial Statements**.

## Employee Postretirement Benefits

TEC is a participant in the retirement plans of TECO Energy. TECO Energy sponsors a defined benefit pension plan (pension plan), a fully-funded non-qualified, non-contributory supplemental executive retirement benefit plan available to certain members of senior management and an unfunded non-qualified, non-contributory Restoration Plan that allows certain members of senior management to receive an additional benefit to restore what is limited by the IRS under the pension plan. TEC recognizes in its statement of financial position the over-funded or under-funded status of its allocated portion of TECO Energy's postretirement benefit plans. The accounting related to employee postretirement benefits is a critical accounting estimate for TEC for the following reasons: 1) a change in the estimated benefit obligation could have a material impact on reported assets, liabilities and results of operations; and 2) changes in assumptions could change the annual pension funding requirements, which could have a significant impact on TEC's annual cash requirements.

Several statistical and other factors which attempt to anticipate future events are used in calculating the expenses and liabilities related to these plans. Key factors include assumptions about the expected rates of return on plan assets, discount rates and mortality rates. TECO Energy determines these factors within certain guidelines and with the help of external consultants. TECO Energy considers market conditions, including but not limited to, changes in investment returns and interest rates, in making these assumptions.

Pension plan assets (plan assets) are invested in a mix of equity and fixed-income securities. The expected return on asset assumption was based on expectations of long-term inflation, real growth in the economy, fixed income spreads and equity premiums consistent with the company's portfolio, with provision for active management and expenses paid from the trust that holds the plan assets. The expected return on assets was 6.70% as of January 1, 2021. The expected return on assets was 7.00% as of January 1, 2020. The expected return on assets was 7.35% as of January 1, 2019 and 7.00% as of October 31, 2019 when a plan remeasurement occurred as a result of a plan curtailment. Given recent strong capital market returns and market expectations for long-term interest rates, TECO Energy expects the expected return on assets to be 6.50% for 2022. Actual earned returns in 2021 were 9.0%.

The discount rate assumption used to measure the 2021, 2020 and 2019 benefit expense was an above-mean yield curve. The above-mean yield curve technique matches the yields from high-quality (AA-rated, non-callable) corporate bonds to the company's projected cash flows for the plans to develop a present value that is converted to a discount rate assumption, which is subject to change each year.

Holding all other assumptions constant, a 1% decrease in the assumed rate of return on pension plan assets or the discount rate assumption would have had in 2021 and is anticipated to have in 2022 the following impact on TEC's after-tax pension cost:

Year	1% Decrease in Assumed Expected Return on Assets	1% Decrease in Assumed Discount Rate
2021	\$7 million increase	\$3 million increase
2022	\$5 million increase	\$1 million increase

Unrecognized actuarial gains and losses for the pension plan are being recognized over a period of approximately 11 years, which represents the expected remaining service life of the employee group. Unrecognized actuarial gains and losses arise from several factors including experience and assumption changes in the obligations and from the difference between expected return and actual returns on plan assets. These unrecognized gains and losses will be systematically recognized in future net periodic pension expense in accordance with applicable accounting guidance for pensions.

The key assumptions used in determining the amount of obligation and expense recorded for postretirement benefits other than pension (OPEB), under the applicable accounting guidance, include the assumed discount rate and the assumed rate of increases in future health care costs. TECO Energy determines the discount rate for the OPEB's projected benefit cash flows. In estimating the health care cost trend rate, TECO Energy considers its actual health care cost experience, future benefit structures, industry trends, and advice from our outside actuaries.

See the discussion of employee postretirement benefits in **Note 5** to the **2021 Annual TEC Consolidated Financial Statements**.

## RECENTLY ISSUED ACCOUNTING STANDARDS

### Change in Accounting Policy

TEC considers the applicability and impact of all ASUs issued by the FASB. TEC was not required to and did not adopt any new ASUs in 2021.

## ENVIRONMENTAL COMPLIANCE

### Environmental Matters

TEC has significant environmental considerations. Tampa Electric operates stationary sources with air emissions regulated by the Clean Air Act. Its operations are also impacted by provisions in the Clean Water Act and federal and state legislative initiatives on environmental matters. TEC, through its Tampa Electric and PGS divisions, is a potentially responsible party (PRP) for certain superfund sites and, through its PGS division, for certain former manufactured gas plant sites.

### Hazardous Air Pollutants (HAPS) Maximum Achievable Control Technology (MACT) Mercury Air Toxics Standards (MATS)

On June 29, 2015, the U.S. Supreme Court remanded the EPA's Mercury Air Toxics Standards (MATS) to the D.C. Circuit Court of Appeals for failing to properly consider the cost of compliance. The litigation is currently in abeyance while the EPA reconsiders its action. MATS remain in effect until the D.C. Circuit Court of Appeals acts.

All of Tampa Electric's conventional coal-fired units are already equipped with electrostatic precipitators, scrubbers and SCRs, and the Polk Unit 1 IGCC unit emissions are minimized in the gasification process. Therefore, Tampa Electric has minimized the impact of this rule and has demonstrated compliance on all applicable units with the most stringent "Low Emitting Electric Generating Unit" classification for MATS with nominal additional capital investment.

### Carbon Reductions and GHG

Tampa Electric has historically supported voluntary efforts to reduce carbon emissions and has taken significant steps to reduce overall emissions at Tampa Electric's facilities. Since 2000, Tampa Electric has reduced its system-wide emissions of CO<sub>2</sub> by more than 50%, bringing emissions to below 1990 levels. Tampa Electric CO<sub>2</sub> emissions continue to remain below 1990 levels. In addition to the emission decreases in 2005 as the result of the repowering of two Gannon Station coal units to natural gas and the shut-down of the remaining Gannon Station coal-fired units, Tampa Electric has optimized its existing coal units to operate on natural gas. During this same time frame, the number of retail customers and retail energy sales have risen. Tampa Electric is also substantially reducing

CO<sub>2</sub> emissions by significantly expanding the use of solar power, repowering Big Bend Unit 1 steam turbine, and retiring Big Bend Unit 2. By the end of 2023, the Big Bend Unit 1 modernization project, capable of producing 1,090 megawatts of power, will lead to lower system-wide emissions. See **Capital Investments** above for information regarding Tampa Electric's solar projects. Tampa Electric has announced a long-term goal to reduce CO<sub>2</sub> emissions to 80% of 2000 levels by 2040 and aspires to reach a net zero future by 2050.

On June 19, 2019, the EPA released a final rule, named the Affordable Clean Energy (ACE) rule, to establish emission guidelines for states to address GHG emissions from existing coal-fired electric generating units (EGUs). On January 19, 2021, the D.C. Circuit Court of Appeals vacated the ACE rule and remanded it to the EPA. A replacement rule is under development. Compliance with the terms of the new rule that replaces the ACE rule, once adopted and finalized, could cause an increase in costs or rates charged to customers, which could curtail sales. See **Item 1A - Risk Factors**.

Tampa Electric expects that the costs to comply with new environmental regulations would be eligible for recovery through the ECRC. If approved as prudent, the costs required to comply with CO<sub>2</sub> emissions reductions would be reflected in customers' bills. If the regulation allowing cost recovery is changed and the cost of compliance is not recovered through the ECRC, Tampa Electric could seek to recover those costs through a base-rate proceeding.

### **Ozone**

On December 31, 2020, the EPA published a final rule to retain the national ambient air quality standards (NAAQS) for photochemical oxidants including ozone, originally adopted in 2012. Under the Clean Air Act, the EPA is required to review the NAAQS every five years and, if appropriate, revise it. The EPA has announced that the NAAQS is currently under review, which could result in revisions to the standard affecting compliance in Tampa Electric's service territory. The impact of this potential new standard on the operations of Tampa Electric will depend on the standard that is ultimately adopted and on the outcome of any related litigation or other developments.

### **Water Supply and Quality**

The EPA's final rule under 316(b) of the Clean Water Act (effective October 2014) addresses perceived impacts to aquatic life by cooling water intakes and is applicable to Tampa Electric's Bayside and Big Bend Power Stations. Polk Power Station is not covered by this rule since it does not operate an intake on Waters of the U.S. Tampa Electric has two ongoing projects (one for Bayside and one for Big Bend) that require compliance with the rule. Compliance includes the completion of the biological, technical, and financial study elements required by the rule. These study elements have been completed and submitted for Bayside and will ultimately be used by FDEP to determine the necessity of cooling water system retrofits. Tampa Electric is negotiating an alternative schedule (as allowed by the rule) and will be completing a portion of the compliance requirements with the Big Bend modernization project with the remainder to be completed at a later date. The full impact of the new regulations on Tampa Electric will depend on the outcome of subsequent legal proceedings challenging the rule, the results of the study elements performed as part of the rule's implementation, and the actual requirements established by FDEP.

The final EPA rule for existing steam electric effluent limit guidelines (ELGs) became effective January 4, 2016 and establishes limits for wastewater discharges from flue gas desulfurization (FGD) processes, fly ash and bottom ash transport water, leachate from ponds and landfills containing coal combustion residuals, gasification processes, and flue gas mercury controls. The new guidelines are expected to be incorporated into National Pollutant Discharge Elimination System permit renewals for Big Bend Station (FGD wastewater and bottom ash transport water) and Polk Power Station (gasification wastewater) to achieve compliance as soon as possible after November 1, 2018, but no later than December 31, 2023. The EPA decided to extend the near-term deadlines for FGD wastewater and bottom ash transport water to as soon as possible after November 1, 2020. On November 22, 2019, the EPA published in the Federal Register its proposed updates to the ELGs, in which the EPA revised limits for both bottom ash transport water and FGD wastewater and extended the final compliance deadline by two years for FGD wastewater. The final rule with revised limits was published on October 13, 2020 and became effective December 14, 2020. Although a legal challenge to this rule is pending in the D.C. Circuit Court of Appeals, no stays are in effect. However, the EPA has announced that this rule is currently under review, and a revised rule is expected to be proposed in 2022.

The preliminary draft of the NPDES Permit for Big Bend stated that effluent limitations for total recoverable arsenic, mercury, and selenium and total nitrate/nitrite for FGD wastewater are applicable no later than December 31, 2023. Since Polk Power Station disposes of any gasification wastewater created down the deep injection well rather than discharging it to surface water, the effluent limitations do not apply to that power station.

### **EPA Waters of the US**

In January 2020, the EPA and the Corps finalized a rule, called the Navigable Waters Protection Rule (NWPR), to define "waters of the United States" and thereby establish federal regulatory authority under the Clean Water Act. This final rule became

effective in June 2020 and replaced the rule published in October 2019. While there have been numerous legal challenges filed in federal court, there are no legal stays in effect. However, the EPA and the U.S. Army Corps of Engineers (the Corps) are in receipt of an order of the U.S. District Court for the District of Arizona dated August 30, 2021, which vacates and remands the NWPR. As a result of this order, the agencies have halted implementation of the NWPR and are currently interpreting “waters of the United States” consistent with its meaning prior to the adoption of the 2015 rule that was repealed in October 2019. The EPA is also engaging in additional rulemaking to revise NWPR. In November 2021, the EPA and the Corps announced a proposed rule which would re-establish the pre-2015 definition of “waters of the United States” updated “to reflect consideration of Supreme Court decisions”. Public hearings on the proposed new rule were held in January 2022. The agencies also established a comment period for the proposed rule which closed on February 7, 2022.

### **Superfund and Former Manufactured Gas Plant Sites**

TEC, through its Tampa Electric and PGS divisions, is a PRP for certain superfund sites and, through its PGS division, for certain former manufactured gas plant sites. While the joint and several liability associated with these sites presents the potential for significant response costs, as of December 31, 2021, TEC has estimated its ultimate financial liability to be \$14 million, primarily at PGS. This amount has been accrued and is primarily reflected in the long-term liability section under “Other” on the Consolidated Balance Sheets. The environmental remediation costs associated with these sites are expected to be paid over many years.

The estimated amounts represent only the portion of the cleanup costs attributable to TEC. The estimates to perform the work are based on TEC’s experience with similar work, adjusted for site-specific conditions and agreements with the respective governmental agencies. The estimates are made in current dollars, are not discounted and do not assume any insurance recoveries.

In instances where other PRPs are involved, most of those PRPs are creditworthy and are likely to continue to be creditworthy for the duration of the remediation work. However, in those instances that they are not, TEC could be liable for more than TEC’s actual percentage of the remediation costs.

Factors that could impact these estimates include the ability of other PRPs to pay their pro-rata portion of the cleanup costs, additional testing and investigation which could expand the scope of the cleanup activities, additional liability that might arise from the cleanup activities themselves or changes in laws or regulations that could require additional remediation. Under current regulations, these costs are recoverable through customer rates established in subsequent base rate proceedings.

### **Coal Combustion Residuals Recycling and Regulation**

Tampa Electric produces ash and other by-products, collectively known as CCRs, at its Big Bend and Polk Power stations. An annual average of 95% of all CCRs produced at these facilities is marketed to customers for beneficial use in commercial and industrial products.

The EPA’s final CCR rule became effective on October 19, 2015 and regulates CCRs as non-hazardous solid waste. On February 2, 2016, the FPSC approved Tampa Electric’s proposed CCR compliance program for recovery of certain capital and O&M expenses through the ECRC. On December 12, 2017, the FPSC approved an additional petition for recovery of expenses associated with the closure of Tampa Electric’s Big Bend Economizer Ash and Pyrite Ponds which began in late November 2018. The O&M expenses for disposal of CCRs from this project began in 2019 and continued through 2021. Closure of Tampa Electric’s West Slag Dewatering Pond and improvements were completed in 2020. Final drainage improvements to Tampa Electric’s North Gypsum Stackout Area will be completed in 2022. In August 2019, the EPA proposed Phase II revisions to the rule that included a revised beneficial use definition and restrictions on offsite beneficial use storage piles, both of which could negatively affect management and recycling of CCRs by TEC’s customers for these products. Review of this rule is ongoing. FDEP has proposed a Florida CCR permitting program to be incorporated into the existing state solid waste regulation, which will operate in lieu of the Federal permitting program. However, since TEC has already closed all of its regulated CCR Units by October 2021, neither Federal nor State programs regulating CCRs would be expected to have a significant impact on TEC. See **Note 12** to the **2021 Annual TEC Consolidated Financial Statements** for information regarding the estimated impact on Tampa Electric’s AROs.

### **Conservation**

In 2021, Tampa Electric continued to offer its customers a comprehensive array of residential and commercial Demand Side Management (DSM) programs. Tampa Electric suspended non-essential energy management field work due to the COVID pandemic in March 2020 and resumed normal operations in November 2021. As part of a five-year pilot program, Tampa Electric has completed the installation of a fully integrated renewable energy system that utilizes a large solar array integrated with battery storage and electric vehicle and large commercial vehicle battery charging system. As part of Tampa Electric’s settlement agreement related to its 2021 rate case, Tampa Electric agreed to increase the amount of assistance provided to low-income customers in 2022 through conservation weatherization and energy education and to adjust the amount of credits provided to commercial and industrial customers for their participation in Tampa Electric’s load management and demand response programs.

In 2021, Tampa Electric achieved all of its commercial annual energy and demand goals, the annual residential summer demand and annual energy goal, and the total combined annual energy and summer demand goals. To achieve these DSM goals, Tampa Electric offered 36 cost-effective DSM Programs. These programs and their costs are approved annually by the FPSC, with the costs recovered through a clause rate on the customer's electric bill. Since their inception to January 1, 2021, Tampa Electric's conservation programs have contributed to reducing the summer peak demand by 779 MWs and the winter peak demand by 1,288 MWs.

In 2020, PGS implemented an online energy audit program for residential customers. PGS expects to offer a walkthrough energy audit for commercial customers in 2022. Both programs were approved by the FPSC as part of its DSM goals in 2019. PGS received approval of its DSM plan in June 2021, which will support the achievement of these DSM goals on an annual basis. Starting in 2019, PGS initiated the reporting of annual energy reduction achievements as part of meeting the requirements of Florida Energy Efficiency and Conservation Act. In 2021, PGS' conservation programs saved 718,000 therms. These programs and their costs are approved annually by the FPSC, with the costs recovered through a clause rate on the customer's gas bill.

## REGULATION

See the **Business** section (**Tampa Electric – Electric Operations** and **Peoples Gas System – Gas Operations** sections) and **Note 3** to the **2021 Annual TEC Consolidated Financial Statements** for a description of the utilities' base rates, cost-recovery clauses and competition.

### Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Risk Management Infrastructure

TEC is subject to various types of market risk in the course of daily operations, as discussed below. TEC has adopted an enterprise-wide approach to the management and control of market and credit risk. Middle Office risk management functions, including credit risk management and risk control, are independent of each transacting entity (Front Office).

TECO Energy's Risk Management Policy (Policy) governs all energy transacting activity. The Policy is administered by a Risk Authorizing Committee (RAC) that is comprised of senior management. Within the bounds of the Policy, the RAC approves specific hedging strategies, new transaction types or products, limits, and transacting authorities. Transaction activity is reported daily and measured against limits. For all commodity risk management activities, derivative transaction volumes are limited to the anticipated volume for customer sales or supplier procurement activities.

TEC operates and oversees transaction activity related to interest rate risk exposures. Interest rate derivative transaction activity is directly correlated to borrowing activities.

#### Risk Management Objectives

The Front Office is responsible for reducing and mitigating the market risk exposures that arise from the ownership of physical assets and contractual obligations. The primary objectives of the risk management organization, the Middle Office, are to quantify, measure, and monitor the market risk exposures arising from the activities of the Front Office and the ownership of physical assets. In addition, the Middle Office is responsible for enforcing the limits and procedures established under the approved risk management policies. Based on the policies approved by TEC's board of directors and the procedures established by the RAC, from time to time, TEC enters into futures, forwards, swaps and option contracts to limit the exposure to items such as:

- Price fluctuations for physical purchases and sales of natural gas in the course of normal operations; and
- Interest rate fluctuations on debt.

TEC uses derivatives only to reduce normal operating and market risks, not for speculative purposes. The primary objective in using derivative instruments for regulated operations is to reduce the impact of market price volatility on customers.

On November 6, 2017, the FPSC approved an amended and restated settlement agreement filed by Tampa Electric, which includes a provision for a moratorium on hedging of natural gas purchases ending on December 31, 2022. On October 21, 2021, the FPSC approved a settlement agreement filed by Tampa Electric related to its 2021 rate case that extended the moratorium to December 31, 2024 (see **Note 3** to the **2021 Annual TEC Consolidated Financial Statements** for further information on the settlement agreements). As of December 31, 2021, TEC had no hedges in place.

## Credit Risk

TEC has a rigorous process for the establishment of new trading counterparties and evaluation of current counterparties. This process includes an evaluation of each counterparty's credit ratings, as applicable, and/or its financial statements, with attention paid to liquidity and capital resources; establishment of counterparty specific credit limits; optimization of credit terms; and execution of standardized enabling agreements. TEC manages credit risk with policies and procedures for counterparty analysis, exposure measurement, and exposure monitoring and mitigation. Credit assessments are conducted on all counterparties, and deposits or collateral are requested on any high-risk accounts.

Certain of TEC's derivative instruments, including NPNS agreements, contain provisions that require our debt to maintain an investment-grade credit rating from any or all of the major credit rating agencies. If TEC's debt ratings were to fall below investment grade or not be rated, it could trigger these provisions, and the counterparties to the derivative instruments could demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions.

## Interest Rate Risk

TEC is exposed to changes in interest rates primarily as a result of borrowing activities. TEC may enter into futures, swaps and option contracts, in accordance with the approved risk management policies and procedures, to moderate this exposure to interest rate changes and achieve a desired level of fixed and variable rate debt. As of December 31, 2021 and 2020, TEC had no hedges of interest rates in place. As of December 31, 2021 and 2020, a hypothetical 10% increase in TEC's weighted-average interest rate on its variable rate debt during the subsequent year would not have resulted in a material impact on pre-tax earnings. This is driven by the low amounts of variable rate debt at TEC. A hypothetical 10% increase in interest rates would have decreased the fair market value of TEC's long-term debt by 4.0% at December 31, 2021 and 3.6% at December 31, 2020. See the **Financing Activity** section and **Notes 6 and 7** to the **2021 Annual TEC Consolidated Financial Statements**. These amounts were determined based on the variable rate obligations existing on the indicated dates at TEC. The above sensitivities assume no changes to TEC's financial structure and could be affected by changes in TEC's credit ratings, changes in general economic conditions or other external factors (see the **Risk Factors** section).

## Commodity Risk

TEC faces varying degrees of exposure to commodity risks including natural gas, coal, fuel oil and other energy commodity prices. Any changes in prices could affect the prices these businesses charge, their operating costs and the competitive position of their products and services. Management uses different risk measurement and monitoring tools based on the degree of exposure of each operating company to commodity risks.

## Regulated Utilities

Tampa Electric's fuel costs used for generation are affected primarily by the price of natural gas and, to a lesser degree, the cost of coal and oil. Tampa Electric's use of natural gas, with its more volatile pricing, for generation of electricity was 86% in 2021 and 89% in 2020 (see the **Business** section). PGS has exposure related to the price of purchased gas and pipeline capacity.

Currently, TEC's commodity price risks are largely mitigated by the fact that increases in the price of prudently incurred fuel and purchased power are recovered through FPSC-approved cost-recovery clauses, with no anticipated effect on earnings. However, increasing fuel cost-recovery has the potential to affect total energy usage and the relative attractiveness of electricity and natural gas to consumers. TEC manages commodity price risk by entering into long-term fuel supply agreements, prudently operating plant facilities to optimize cost and, prior to the moratorium mentioned above, entering into derivative transactions designated as cash flow hedges of anticipated purchases of wholesale natural gas. At December 31, 2021 and 2020, a change in commodity prices would not have had a material impact on earnings for Tampa Electric or PGS, but could have had an impact on the timing of the cash recovery of the cost of fuel.

**TAMPA ELECTRIC COMPANY**

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**Report of Independent Registered Public Accounting Firm**

To the Shareholder and the Board of Directors of Tampa Electric Company

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Tampa Electric Company (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income and comprehensive income, capitalization and cash flows for each of the three years in the period ended December 31, 2021 and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.



<i>Description of the Matter</i>	<p><b><i>Accounting for the effects of regulatory matters</i></b></p> <p>As disclosed in Note 3 of the consolidated financial statements, the Company has \$1,002 million in regulatory assets and \$1,170 million in regulatory liabilities. As disclosed in Note 3, Tampa Electric's retail business and the Peoples Gas System are regulated separately by the Florida Public Service Commission (FPSC), and Tampa Electric is also subject to regulation by the Federal Energy Regulatory Commission (FERC) (collectively, the regulators). The regulatory rates are designed to recover the prudently incurred costs of providing the regulated products or services and provide a reasonable return on the equity invested or assets, as applicable. In addition to regulatory assets and liabilities, rate regulation impacts multiple financial statement line items, including property, plant and equipment, revenues, and expenses.</p> <p>Auditing the impact of rate regulation on the Company's financial statements is complex and highly judgmental due to the significant judgments made by the Company to support its accounting and disclosure for regulatory matters when final regulatory decisions or orders have not yet been obtained or when regulatory formulas are complex. There is also subjectivity involved in assessing the potential impact of future regulatory decisions on the financial statements. Although the Company expects to recover costs from customers through rates, there is a risk that the regulator may not approve full recovery of costs incurred. The Company's judgments include making an assessment of the probable recovery of and recovery on costs incurred, of the disallowance of part of the cost of recently completed property, plant, and equipment and construction work in progress, or of the probable refund to customers through future rates.</p>
<i>How We Addressed the Matter in Our Audit</i>	<p>We performed audit procedures that included, among others, assessing the Company's evaluation of the probability of future recovery for regulatory assets and refund of regulatory liabilities by obtaining and reviewing relevant regulatory orders, filings, testimony, hearings and correspondence, and other publicly available information. For regulatory matters for which regulatory decisions or orders have not yet been obtained, we inspected the regulatory filings for any evidence that might contradict the Company's assertions, and reviewed other regulatory orders, filings and correspondence for other entities within the same jurisdiction to assess the likelihood of recovery in future rates based on the regulator's treatment of similar costs under similar circumstances. We obtained and evaluated an analysis from the Company and corroborated that analysis with letters from legal counsel, when appropriate, regarding cost recoveries or future changes in rates. We also assessed the methodology, accuracy and completeness of the Company's calculations of regulatory asset and liability balances based on provisions and formulas outlined in rate orders and other correspondence with the regulators. We also evaluated the Company's disclosures related to the impacts of rate regulation.</p>

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2018.

Tampa, Florida  
February 14, 2022

**TAMPA ELECTRIC COMPANY**  
**Consolidated Balance Sheets**

<i>Assets</i> <i>(millions)</i>	<i>December 31,</i> <i>2021</i>	<i>December 31,</i> <i>2020</i>
<b>Property, plant and equipment</b>		
Utility plant		
Electric	\$ 11,563	\$ 11,486
Gas	2,626	2,332
Utility plant, at original costs	14,189	13,818
Accumulated depreciation	(3,601)	(3,712)
Utility plant, net	10,588	10,106
Other property	14	14
Total property, plant and equipment, net	10,602	10,120
<b>Current assets</b>		
Cash and cash equivalents	18	10
Receivables, less allowance for credit losses of \$7 and \$7 at December 31, 2021 and 2020, respectively	254	219
Due from affiliates	8	11
Inventories, at average cost		
Fuel	20	26
Materials and supplies	121	107
Regulatory assets	136	79
Prepayments and other current assets	22	10
Total current assets	579	462
<b>Deferred debits</b>		
Regulatory assets	866	406
Other	149	60
Total deferred debits	1,015	466
<b>Total assets</b>	<u>\$ 12,196</u>	<u>\$ 11,048</u>

The accompanying notes are an integral part of the consolidated financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Balance Sheets—continued**

<b>Liabilities and Capital</b> <i>(millions)</i>	<i>December 31,</i> <i>2021</i>	<i>December 31,</i> <i>2020</i>
<b>Capitalization</b>		
Common stock	\$ 4,470	\$ 3,890
Accumulated other comprehensive loss	(1)	(1)
Retained earnings	323	327
Total capital	4,792	4,216
Long-term debt	3,136	2,594
Total capital	7,928	6,810
<b>Current liabilities</b>		
Long-term debt due within one year	250	278
Notes payable	745	775
Accounts payable	390	321
Due to affiliates	44	46
Customer deposits	132	130
Regulatory liabilities	78	67
Accrued interest	18	13
Accrued taxes	19	22
Other	51	57
Total current liabilities	1,727	1,709
<b>Long-term liabilities</b>		
Deferred income taxes	858	783
Regulatory liabilities	1,092	1,194
Investment tax credits	249	216
Deferred credits and other liabilities	342	336
Total deferred credits	2,541	2,529
<b>Commitments and Contingencies (see Note 8)</b>		
<b>Total liabilities and capital</b>	<u>\$ 12,196</u>	<u>\$ 11,048</u>

The accompanying notes are an integral part of the consolidated financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Statements of Income and Comprehensive Income**

(millions)

For the years ended December 31,

	2021	2020	2019
<b>Revenues</b>			
Electric	\$ 2,170	\$ 1,845	\$ 1,961
Gas	525	427	443
Total revenues	<u>2,695</u>	<u>2,272</u>	<u>2,404</u>
<b>Expenses</b>			
Fuel	604	340	516
Purchased power	106	83	49
Cost of natural gas sold	155	121	152
Operations & maintenance	566	542	543
Depreciation and amortization	430	384	377
Taxes, other than income	228	202	206
Total expenses	<u>2,089</u>	<u>1,672</u>	<u>1,843</u>
<b>Income from operations</b>	<u>606</u>	<u>600</u>	<u>561</u>
<b>Other income</b>			
Allowance for other funds used during construction	45	30	11
Other income, net	5	6	9
Total other income	<u>50</u>	<u>36</u>	<u>20</u>
<b>Interest charges</b>			
Interest expense	151	144	139
Allowance for borrowed funds used during construction	(21)	(14)	(5)
Total interest charges	<u>130</u>	<u>130</u>	<u>134</u>
<b>Income before provision for income taxes</b>	526	506	447
Provision for income taxes	80	82	77
<b>Net income</b>	<u>\$ 446</u>	<u>\$ 424</u>	<u>\$ 370</u>
<b>Comprehensive income</b>	<u>\$ 446</u>	<u>\$ 424</u>	<u>\$ 370</u>

The accompanying notes are an integral part of the consolidated financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Statements of Cash Flows**

(millions)

For the years ended December 31,

	2021	2020	2019
<b>Cash flows from or used in operating activities</b>			
Net income	\$ 446	\$ 424	\$ 370
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	430	384	377
Deferred income taxes and investment tax credits	28	54	15
Allowance for equity funds used during construction	(45)	(30)	(11)
Deferred recovery clauses	(58)	(40)	63
Receivables, less allowance for credit losses	(32)	(10)	52
Inventories	(8)	7	6
Taxes accrued	(13)	23	1
Accounts payable	53	34	(4)
Regulatory assets and liabilities	(10)	(18)	1
Other	6	1	(29)
Cash flows from operating activities	797	829	841
<b>Cash flows from or used in investing activities</b>			
Capital expenditures	(1,397)	(1,361)	(1,283)
Net proceeds from sale of assets	0	6	0
Cash flows used in investing activities	(1,397)	(1,355)	(1,283)
<b>Cash flows from or used in financing activities</b>			
Equity contributions from Parent	580	505	395
Proceeds from long-term debt issuance	790	0	292
Repayment of long-term debt	(279)	0	0
Net change in short-term debt (maturities of 90 days or less)	(230)	127	127
Proceeds from other short-term debt (maturities over 90 days)	500	300	0
Repayment of other short-term debt (maturities over 90 days)	(300)	0	0
Dividends to Parent	(450)	(408)	(373)
Other financing activities	(3)	(2)	0
Cash flows from financing activities	608	522	441
<b>Net increase (decrease) in cash and cash equivalents</b>	8	(4)	(1)
<b>Cash and cash equivalents at beginning of the year</b>	10	14	15
<b>Cash and cash equivalents at end of the year</b>	<u>\$ 18</u>	<u>\$ 10</u>	<u>\$ 14</u>
<b>Supplemental disclosure of cash paid (received):</b>			
Interest	\$ 120	\$ 126	\$ 134
Income taxes	\$ 62	\$ 14	\$ 63
<b>Supplemental disclosure of non-cash activities</b>			
Change in accrued capital expenditures	\$ 25	\$ 1	\$ 17

The accompanying notes are an integral part of the consolidated financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Statements of Capitalization**

<i>(millions, except share amounts)</i>	Shares <sup>(1)</sup>	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Capital
Balance, December 31, 2018	10	2,990	\$ 314	\$ (1)	\$ 3,303
Net income			370		370
Equity contributions from Parent		395			395
Dividends to Parent <sup>(2)</sup>			(373)		(373)
Balance, December 31, 2019	10	\$ 3,385	\$ 311	\$ (1)	\$ 3,695
Net income			424		424
Equity contributions from Parent		505			505
Dividends to Parent <sup>(2)</sup>			(408)		(408)
Balance, December 31, 2020	10	\$ 3,890	\$ 327	\$ (1)	\$ 4,216
Net income			446		446
Equity contributions from Parent		580			580
Dividends to Parent <sup>(2)</sup>			(450)		(450)
Balance, December 31, 2021	10	\$ 4,470	\$ 323	\$ (1)	\$ 4,792

**Preferred stock – \$100 par value**

1.5 million shares authorized, none outstanding.

**Preferred stock – no par**

2.5 million shares authorized, none outstanding.

**Preference stock – no par, subordinate to the preferred stock**

2.5 million shares authorized, none outstanding.

- (1) Common stock without par value, 25 million shares authorized  
(2) Dividends are declared and paid at the discretion of TEC's Board of Directors.

The accompanying notes are an integral part of the consolidated financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Statements of Capitalization – continued**

At December 31, 2021 and 2020, TEC had the following long-term debt outstanding:

**Long-Term Debt**

<i>(millions)</i>		<i>Due</i>	<i>2021</i>	<i>2020</i>
<b>Tampa Electric</b>	Notes <sup>(1)(2)(3)</sup> : 5.40%	2021	\$ 0	\$ 231
	2.60%	2022	225	225
	2.40%	2031	285	0
	6.55%	2036	250	250
	6.15%	2037	190	190
	4.10%	2042	250	250
	4.35%	2044	290	290
	4.20%	2045	230	230
	4.30%	2048	275	275
	4.45%	2049	350	350
	3.63%	2050	275	275
	3.45%	2051	285	0
	Total long-term debt of Tampa Electric		2,905	2,566
<b>PGS</b>	Notes <sup>(1)(2)(3)</sup> : 5.40%	2021	0	47
	2.60%	2022	25	25
	2.40%	2031	115	0
	6.15%	2037	60	60
	4.10%	2042	50	50
	4.35%	2044	10	10
	4.20%	2045	20	20
	4.30%	2048	75	75
	4.45%	2049	25	25
	3.63%	2050	25	25
	3.45%	2051	115	0
	Total long-term debt of PGS		520	337
Total long-term debt			3,425	2,903
Unamortized debt discount, net			(12)	(10)
Debt issuance costs			(27)	(21)
Total carrying amount of long-term debt			3,386	2,872
Less amount due within one year			250	278
Total long-term debt			<u>\$ 3,136</u>	<u>\$ 2,594</u>

- (1) These senior unsecured debt securities are subject to redemption in whole or in part, at any time, at the option of the issuer.
- (2) These long-term debt agreements contain various restrictive covenants.
- (3) The amounts shown are allocations to Tampa Electric and PGS of TEC Notes.

The accompanying notes are an integral part of the consolidated financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Statements of Capitalization—continued**

At December 31, 2021, long-term debt had a carrying amount of \$3,386 million and an estimated fair market value of \$4,036 million. At December 31, 2020, total long-term debt had a carrying amount of \$2,872 million and an estimated fair market value of \$3,597 million. The fair value of the debt securities is determined using Level 2 measurements (see **Note 14** for information regarding the fair value hierarchy).

A substantial part of Tampa Electric's tangible assets is pledged as collateral to secure its first mortgage bonds. There are currently no bonds outstanding under Tampa Electric's first mortgage bond indenture, and Tampa Electric could cause the lien associated with this indenture to be released at any time. Gross maturities and annual sinking fund requirements of long-term debt are as follows:

**Long-Term Debt Maturities**

<i>As of December 31, 2021 (millions)</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2026</i>	<i>Thereafter</i>	<i>Total Long-Term Debt</i>
Tampa Electric	\$ 225	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,680	\$ 2,905
PGS	25	0	0	0	0	495	520
Total long-term debt maturities	<u>\$ 250</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,175</u>	<u>\$ 3,425</u>

The accompanying notes are an integral part of the consolidated financial statements.



**TAMPA ELECTRIC COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Significant Accounting Policies**

**Description of the Business**

TEC has two operating segments. Its Tampa Electric division provides retail electric services in West Central Florida, and PGS, its natural gas division, is engaged in the purchase, distribution and sale of natural gas for residential, commercial, industrial and electric power generation customers in Florida. TEC's significant accounting policies are as follows:

**Principles of Consolidation and Basis of Presentation**

TEC maintains its accounts in accordance with recognized policies prescribed or permitted by the FPSC and the FERC. These policies conform with U.S. GAAP in all material respects. The use of estimates is inherent in the preparation of financial statements in accordance with U.S. GAAP. Actual results could differ from these estimates.

TEC is a wholly owned subsidiary of TECO Energy, Inc. and contains electric and natural gas divisions. Intercompany balances and transactions within the divisions have been eliminated in consolidation. TECO Energy is a wholly owned indirect subsidiary of Emera. Therefore, TEC is an indirect, wholly owned subsidiary of Emera.

Since 2020, the outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. While management considered the impact of the COVID-19 pandemic in TEC's estimates and results, the financial statements as of December 31, 2021 and 2020 and for the years then ended were not materially impacted by the COVID-19 pandemic.

**Cash Equivalents**

Cash equivalents are highly liquid, high-quality investments purchased with an original maturity of three months or less. The carrying amount of cash equivalents approximated fair market value because of the short maturity of these instruments.

**Property, Plant and Equipment**

Property, plant and equipment is stated at original cost, which includes labor, material, applicable taxes, overhead and AFUDC. Concurrent with a planned major maintenance outage or with new construction, the cost of adding or replacing retirement units-of-property is capitalized in conformity with the regulations of FERC and FPSC. The cost of maintenance, repairs and replacement of minor items of property is expensed as incurred.

As regulated utilities, Tampa Electric and PGS must file depreciation and dismantlement studies periodically and receive approval from the FPSC before implementing new depreciation rates. Included in approved depreciation rates is either an implicit net salvage factor or a cost of removal factor, expressed as a percentage. The net salvage factor is principally comprised of two components—a salvage factor and a cost of removal or dismantlement factor. TEC uses current cost of removal or dismantlement factors as part of the estimation method to approximate the amount of cost of removal in accumulated depreciation. The original cost of utility plant retired or otherwise disposed of and the cost of removal or dismantlement, less salvage value, is charged to accumulated depreciation and the accumulated cost of removal reserve reported as a regulatory liability, respectively.

For other property dispositions, the cost and accumulated depreciation are removed from the balance sheet and a gain or loss is recognized.

Property, plant and equipment consisted of the following assets:

(millions)	Estimated Useful Lives	December 31, 2021	December 31, 2020
Electric generation	21-56 years	\$ 5,395	\$ 5,694
Electric transmission	28-77 years	1,068	1,008
Electric distribution	14-56 years	3,064	2,859
Gas transmission and distribution	16-77 years	2,360	2,076
General plant and other	8-43 years	946	723
Total cost		12,833	12,360
Less accumulated depreciation		(3,601)	(3,712)
Construction work in progress		1,370	1,472
Total property, plant and equipment, net		<u>\$ 10,602</u>	<u>\$ 10,120</u>

### Depreciation

The provision for total regulated utility plant in service, expressed as a percentage of the original cost of depreciable property, was 3.5%, 3.2% and 3.4% for 2021, 2020 and 2019, respectively. Construction work in progress is not depreciated until the asset is placed in service. Total depreciation expense for the years ended December 31, 2021, 2020 and 2019 was \$408 million, \$381 million and \$359 million, respectively. See **Note 3** for information regarding agreements approved by the FPSC that, among other things, allowed Tampa Electric to continue to depreciate certain retired assets through December 31, 2021 and allowed Tampa Electric to eliminate its \$16 million accumulated depreciation and amortization reserve surplus for intangible software assets through a credit to amortization expense in 2020.

Tampa Electric and PGS compute depreciation and amortization using the following methods:

- the group remaining life method, approved by the FPSC, is applied to the average investment, adjusted for anticipated costs of removal less salvage, in functional classes of depreciable property;
- the amortizable life method, approved by the FPSC, is applied to the net book value to date over the remaining life of those assets not classified as depreciable property above.

### Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant which represents the cost of borrowed funds and a reasonable return on other funds used for construction. The rates used to calculate AFUDC are revised periodically to reflect significant changes in cost of capital. In 2021, 2020 and 2019, Tampa Electric's rate was 6.46%. PGS's rate used to calculate its AFUDC in 2021 and 2020 was 6.00% and 5.97%, respectively. Total AFUDC for the years ended December 31, 2021, 2020 and 2019 was \$66 million, \$44 million and \$16 million, respectively.

### Inventory

TEC values materials, supplies and fossil fuel inventory (natural gas, coal and oil) using a weighted-average cost method. These materials, supplies and fuel inventories are carried at the lower of weighted-average cost or net realizable value.

### Regulatory Assets and Liabilities

Tampa Electric and PGS are subject to accounting guidance for the effects of certain types of regulation (see **Note 3**).

### Deferred Income Taxes

TEC uses the asset and liability method in the measurement of deferred income taxes. Under the asset and liability method, the temporary differences between the financial statement and tax bases of assets and liabilities are reported as deferred taxes measured at enacted tax rates. Tampa Electric and PGS are regulated, and their books and records reflect approved regulatory treatment, including certain adjustments to accumulated deferred income taxes and the establishment of a corresponding regulatory tax liability reflecting the amount payable to customers through future rates. See **Note 4** for additional details.

### **Investment Tax Credits**

ITCs have been recorded as deferred credits and are being amortized as reductions to income tax expense over the service lives of the related property.

### **Stranded Tax Effects in Accumulated Other Comprehensive Income**

TEC utilizes a portfolio approach to determine the timing and extent to which stranded income tax effects from items that were previously recorded in accumulated other comprehensive income are released.

### **Revenue Recognition**

#### *Regulated electric revenue*

Electric revenues, including energy charges, demand charges, basic facilities charges and applicable clauses and riders, are recognized when obligations under the terms of a contract are satisfied. This occurs primarily when electricity is delivered to customers over time as the customer simultaneously receives and consumes the benefits of the electricity. Electric revenues are recognized on an accrual basis and include billed and unbilled revenues. Revenues related to the sale of electricity are recognized at rates approved by the respective regulator and recorded based on metered usage, which occur on a periodic, systematic basis, generally monthly. At the end of each reporting period, the electricity delivered to customers, but not billed, is estimated and the corresponding unbilled revenue is recognized. Tampa Electric's estimate of unbilled revenue at the end of the reporting period is calculated by estimating the number of MWH delivered to customers at the established rate expected to prevail in the upcoming billing cycle. This estimate includes assumptions as to the pattern of energy demand, timing of meter reads and line losses.

#### *Regulated gas revenue*

Gas revenues, including energy charges, demand charges, basic facilities charges and applicable clauses and riders, are recognized when obligations under the terms of a contract are satisfied. This occurs primarily when gas is delivered to customers over time as the customer simultaneously receives and consumes the benefits of the gas. Gas revenues are recognized on an accrual basis and include billed and unbilled revenues. Revenues related to the distribution and sale of gas are recognized at rates approved by the regulator and recorded based on metered usage, which occur on a periodic, systematic basis, generally monthly. At the end of each reporting period, the gas delivered to customers, but not billed, is estimated and the corresponding unbilled revenue is recognized. PGS's estimate of unbilled revenue at the end of the reporting period is calculated by estimating the number of therms delivered to customers at the established rate expected to prevail in the upcoming billing cycle. This estimate includes assumptions as to the pattern of usage, weather, and inter-period changes to customer classes.

#### *Other*

See Accounting for Franchise Fees and Gross Receipts below for the accounting for gross receipts taxes. Sales and other taxes TEC collects concurrent with revenue-producing activities are excluded from revenue.

### **Revenues and Cost Recovery**

Revenues include amounts resulting from cost-recovery clauses which provide for monthly billing charges to reflect increases or decreases in fuel, purchased power, conservation, environmental and storm protection plan costs for Tampa Electric and purchased gas, interstate pipeline capacity, replacement of cast iron/bare steel pipe and conservation costs for PGS. These adjustment factors are based on costs incurred and projected for a specific recovery period. Any over- or under-recovery of costs plus an interest factor are taken into account in the process of setting adjustment factors for subsequent recovery periods. Over-recoveries of costs are recorded as regulatory liabilities, and under-recoveries of costs are recorded as regulatory assets.

Certain other costs incurred by the regulated utilities are allowed to be recovered from customers through prices approved in the regulatory process. These costs are recognized as the associated revenues are recognized.

### **Receivables and Allowance for Credit Losses**

Receivables from contracts with customers, which consist of services to residential, commercial, industrial and other customers, were \$252 million and \$214 million as of December 31, 2021 and 2020, respectively. An allowance for credit losses is established based on TEC's collection experience and reasonable and supportable forecasts that affect the collectibility of the reported amount. Circumstances that impact Tampa Electric's and PGS's estimates of credit losses include, but are not limited to, customer credit issues, fuel prices, customer deposits and general economic conditions, including the impacts of the COVID-19 pandemic. Accounts are reserved in the allowance or written off once they are deemed to be uncollectible.

The regulated utilities accrue base revenues for services rendered but unbilled to provide for matching of revenues and expenses (see **Note 3**). As of December 31, 2021 and 2020, unbilled revenues of \$74 million and \$73 million, respectively, are included in the “Receivables” line item on TEC’s Consolidated Balance Sheets.

#### **Accounting for Franchise Fees and Gross Receipts Taxes**

Tampa Electric and PGS are allowed to recover certain costs incurred on a dollar-for-dollar basis from customers through rates approved by the FPSC. The amounts included in customers’ bills for franchise fees and gross receipt taxes are included as revenues on the Consolidated Statements of Income. Franchise fees and gross receipt taxes payable by Tampa Electric and PGS are included as an expense on the Consolidated Statements of Income in “Taxes, other than income”. These amounts totaled \$129 million, \$109 million and \$117 million for the years ended December 31, 2021, 2020 and 2019, respectively.

#### **Deferred Charges and Other Assets**

Deferred charges and other assets consist primarily of pension assets net of accrued pension liabilities (see **Note 5**), right-of-use assets related to operating leases (see **Note 13**) and a contribution made by TEC in order to fully fund its SERP obligation (see **Note 5**).

#### **Deferred Credits and Other Liabilities**

Other deferred credits primarily include accrued other postretirement benefits (see **Note 5**), MGP environmental remediation liability (see **Note 8**), asset retirement obligations (see **Note 12**), lease liabilities (see **Note 13**) and a reserve for auto, general and workers’ compensation liability claims.

TECO Energy and its subsidiaries, including TEC, have a self-insurance program supplemented by excess insurance coverage for the cost of claims whose ultimate value exceeds the company’s retention amounts. TEC estimates its liabilities for auto, general and workers’ compensation using discount rates mandated by statute or otherwise deemed appropriate for the circumstances. Discount rates used in estimating these other self-insurance liabilities at December 31, 2021 and 2020 ranged from 1.63% to 4.00% and 2.43% to 4.00%, respectively.

#### **Derivatives and Hedging Activities**

On November 6, 2017, the FPSC approved an amended and restated settlement agreement filed by Tampa Electric, which included a provision for a moratorium on hedging of natural gas purchases ending on December 31, 2022. On October 21, 2021, the FPSC approved a settlement agreement filed by Tampa Electric related to its 2021 rate case that extended the moratorium to December 31, 2024 (see **Note 3** for further information on the settlement agreements). TEC was hedging its exposure to the variability in future cash flows until November 30, 2018 for financial natural gas contracts. TEC had zero derivative liabilities related to natural gas storage optimization as of December 31, 2021 and 2020 and zero derivative assets on its Consolidated Balance Sheets as of December 31, 2021 and 2020.

TEC’s physical contracts qualify for the NPNS exception to derivative accounting rules, provided they meet certain criteria. Generally, NPNS applies if TEC deems the counterparty creditworthy, if the counterparty owns or controls resources within the proximity to allow for physical delivery of the commodity, if TEC intends to receive physical delivery and if the transaction is reasonable in relation to TEC’s business needs. As of December 31, 2021 and 2020, all of TEC’s physical contracts qualified for the NPNS exception, which was elected.

TEC classifies cash inflows and outflows related to derivative and hedging instruments in the appropriate cash flow sections associated with the item being hedged. For natural gas, the cash inflows and outflows are included in the operating section of the Consolidated Statements of Cash Flows. For interest rate swaps that settle coincident with the debt issuance, the cash inflows and outflows are treated as premiums or discounts and included in the financing section of the Consolidated Statements of Cash Flows.

## 2. New Accounting Pronouncements

TEC considers the applicability and impact of all ASUs issued by the FASB. TEC was not required to and did not adopt any new ASUs in 2021.

## 3. Regulatory

Tampa Electric's retail business and PGS are regulated separately by the FPSC. Tampa Electric is also subject to regulation by the FERC in various respects, including wholesale power sales, certain wholesale power purchases, transmission and ancillary services and accounting practices. The FPSC sets rates based on a cost of service methodology which allows utilities to collect total revenues (revenue requirements) equal to their prudently incurred cost of providing service or products, plus a reasonable return on equity invested or assets. As a result, Tampa Electric and PGS qualify for the application of accounting guidance for certain types of regulation. This guidance recognizes that the actions of a regulator can provide reasonable assurance of the existence of an asset or liability. Regulatory assets and liabilities arise as a result of a difference between U.S. GAAP and the accounting principles imposed by the regulatory authorities. Regulatory assets generally represent incurred costs that have been deferred, as their future recovery in customer rates is probable. Regulatory liabilities generally represent obligations to make refunds to customers from previous collections for costs that are not likely to be incurred. In addition to regulatory assets and regulatory liabilities, rate regulation impacts other financial statement balances and activity, including, but not limited to, property, plant, and equipment, revenues, and expenses.

### Tampa Electric Base Rates

Tampa Electric's results for 2021, 2020 and 2019 reflected an amended and restated settlement agreement, approved by the FPSC on November 6, 2017, that replaced the previous 2013 base rate settlement agreement and extended it another four years through 2021. The agreement provided for Tampa Electric's allowed regulatory ROE to be a mid-point of 10.25% with a range of plus or minus 1%. The agreement stated that Tampa Electric could not file for additional base rate increases to be effective sooner than December 31, 2021, unless its earned ROE were to fall below 9.25% before that time. If its earned ROE were to rise above 11.25%, any party to the agreement other than Tampa Electric could seek a review of its base rates. Under the agreement, the allowed equity in the capital structure was 54% from investor sources of capital. The amended agreement provided for SoBRAs for Tampa Electric's substantial investments in solar generation. Tampa Electric invested approximately \$850 million in these solar projects during 2017 to 2021 and accrued AFUDC during construction. The agreement included a sharing provision that allowed customers to benefit from 75% of any cost savings for projects below \$1,500/kWac.

Between 2017 and 2021, TEC filed annual SoBRA petitions along with supporting tariffs demonstrating the cost-effectiveness of four tranches representing 600 MW and \$104 million in estimated revenue requirements. The FPSC approved the tariffs on each of the SoBRA filings and Tampa Electric began receiving the applicable revenues after each of the tranches was commercially completed (tranche 1 for \$24 million in revenue starting September 2018, tranche 2 for \$46 million in revenue starting January 2019, tranche 3 for \$26 million in revenue starting January 2020 and tranche 4 for \$8 million in revenue starting January 2021).

The true-up filing for SoBRA tranche 1 and 2 revenue requirement estimates that were included in base rates as of September 2018 and January 2019, respectively, was submitted on April 30, 2020, and the FPSC approved the amount on August 18, 2020. The \$5 million true-up was returned to customers in 2020. The true-up filing for SoBRA tranche 3, included in base rates as of January 2020, was approved by the FPSC on October 12, 2021. A \$4 million true-up was returned to customers during 2021. The true-up for SoBRA tranche 4 will be filed in early 2022.

The 2017 settlement agreement further contained a provision related to tax reform. An asset optimization provision that allows Tampa Electric to share in the savings for optimization of its system once certain thresholds are achieved is also included. Additionally, Tampa Electric agreed to a financial hedging moratorium for natural gas ending on December 31, 2022 and that it will make no investments in gas reserves.

On November 13, 2019, as required by the 2017 settlement agreement, Tampa Electric filed its petition to reduce base rates and charges to reflect the impact of the temporary reduction of the state corporate income tax from 5.5% to 4.5%. The tax rate reduction was issued on September 12, 2019 and was effective retroactive from January 1, 2019 through December 31, 2021. The estimated base rate reduction due to customers of \$5 million is subject to true-up, and the actual rate reduction may vary from year to year. The base rate reduction was approved on December 10, 2019 for rates effective January 2020.

On August 6, 2021, Tampa Electric filed with the FPSC a joint motion for approval of a settlement agreement dated as of August 6, 2021 (the Settlement Agreement) by and among Tampa Electric and the intervenors in Tampa Electric's rate case filed with the FPSC in April 2021. The Settlement Agreement agrees to an increase in base rates annually effective with January 2022 bills, to generate a \$191 million increase in revenue consisting of \$123 million of traditional base rate charges and \$68 million in a new charge to recover the costs of retiring assets. The Settlement Agreement further includes two subsequent year adjustments of \$90 million and \$21 million, effective January 2023 and January 2024, respectively. Under the agreement, the allowed equity in the capital structure will continue to be 54% from investor sources of capital. The Settlement Agreement includes an allowed regulatory ROE range of

9.0% to 11.0% with a 9.95% midpoint. The Settlement Agreement allows a 25 basis point increase in the allowed ROE range and midpoint, and \$10 million of additional revenue, if the average 30-year United States Treasury Bond yield rate for any period of six consecutive months is at least 50 basis points greater than the yield rate on the date the FPSC votes to approve the agreement. Under the agreement, base rates will not change from January 1, 2022 through December 31, 2024, unless Tampa Electric's earned ROE were to fall below the bottom of the range during that time. The Settlement Agreement contains a provision whereby Tampa Electric agrees to quantify the future impact of a decrease or increase in corporate income tax rates on net operating income through a reduction or increase in base revenues within 180 days of when such tax change becomes law or its effective date. The Settlement Agreement further creates a mechanism to recover the costs of retiring coal generation units and meter assets over a period of 15 years which survives the term of that agreement. The Settlement Agreement sets new depreciation and dismantlement rates effective January 1, 2022 and contains the provisions that Tampa Electric will not have to file another depreciation study during the term of the agreement but will file a new depreciation study no more than one year, nor less than 90 days, before the filing of its next general base rate proceeding. Additionally, Tampa Electric agreed to a financial hedging moratorium for natural gas ending on December 31, 2024. On October 21, 2021, the FPSC approved the Settlement Agreement and the final order, reflecting such approval, was issued on November 10, 2021.

### **Tampa Electric Big Bend Modernization Project**

Tampa Electric expects to invest approximately \$850 million during 2018 through 2023 to modernize the Big Bend Power Station, of which approximately \$695 million has been invested through December 31, 2021. The Big Bend modernization project will repower Big Bend Unit 1 with natural gas combined-cycle technology and eliminate coal as this unit's fuel. As part of the Big Bend modernization project, Tampa Electric retired the Unit 1 components that will not be used in the modernized plant in 2020 and Big Bend Unit 2 in 2021. Tampa Electric plans to retire Big Bend Unit 3 in 2023 as it is in the best interest of customers from economic, environmental risk and operational perspectives.

At December 31, 2020, Tampa Electric's balance sheet included \$636 million in electric utility plant and \$267 million in accumulated depreciation related to Unit 1 components and Unit 2 and Unit 3 assets. In accordance with Tampa Electric's 2017 settlement agreement approved by the FPSC, Tampa Electric continued to account for its investment in Units 1, 2 and 3 in electric utility plant and depreciate the assets using the current depreciation rates until December 31, 2021, at which point they were reclassified to a regulatory asset on the balance sheet.

Tampa Electric's Settlement Agreement provides recovery for the Big Bend modernization project in two phases. The first phase is a revenue increase to cover the costs of the assets in service during 2022, among other items. The remainder of the project costs will be recovered as part of the 2023 subsequent year adjustment. The Settlement Agreement also includes a new charge to recover the remaining costs of the retiring Big Bend coal generation assets, Units 1 through 3, which will be spread over 15 years and will survive the term of the Settlement Agreement. The special capital recovery schedule for all three units was applied beginning January 1, 2022.

### **Tampa Electric Mid-Course Adjustment to Fuel Recovery**

In July 2021, Tampa Electric requested a mid-course adjustment to its fuel and capacity charges, effective with September 2021 customer bills, due to an increase in fuel commodity and capacity costs in 2021. On August 3, 2021, the FPSC approved the request to recover \$83 million of additional costs during the months of September through December 2021.

In January 2022, Tampa Electric requested a mid-course adjustment to its fuel and capacity charges to recover an additional \$169 million, effective with April 2022 customer bills, due to an increase in fuel commodity and capacity costs. The FPSC is expected to issue its decision in March 2022.

### **Tampa Electric Storm Protection Cost Recovery Clause and Settlement Agreement**

On October 3, 2019, the FPSC issued a rule to implement a Storm Protection Plan (SPP) Cost Recovery Clause. This clause provides a process for Florida investor-owned utilities, including Tampa Electric, to recover transmission and distribution storm hardening costs for incremental activities not already included in base rates. Tampa Electric submitted its storm protection plan with the FPSC on April 10, 2020. On April 27, 2020, Tampa Electric submitted a settlement agreement with the FPSC which specified a \$15 million base rate reduction for SPP program costs previously recovered in base rates beginning January 1, 2021. On June 9, 2020, the FPSC approved this settlement agreement. On August 3, 2020, Tampa Electric submitted another settlement agreement to the FPSC for approval, including cost recovery of approximately \$39 million in proposed storm protection project costs for 2020 and 2021. This cost recovery includes the \$15 million of costs removed from base rates. This settlement agreement was approved on August 10, 2020 and Tampa Electric's cost recovery began in January 2021. The current approved plan will apply for the years 2020, 2021 and 2022, and Tampa Electric will file a new plan in April 2022 to determine cost recovery in 2023, 2024, and 2025.

The June 9, 2020 settlement agreement approved by the FPSC disclosed above also included approval of Tampa Electric's petition to eliminate its \$16 million accumulated amortization reserve surplus for intangible software assets through a credit to depreciation and amortization expense in 2020.

### **Tampa Electric Storm Restoration Cost Recovery**

As a result of Tampa Electric's 2013 rate case settlement, in the event of a named storm that results in damage to its system, Tampa Electric can petition the FPSC to seek recovery of those costs over a 12-month period or longer as determined by the FPSC, as well as replenish its reserve to \$56 million, the level of the reserve as of October 31, 2013. This provision was also included in Tampa Electric's subsequent 2017 amended and restated settlement agreement and in Tampa Electric's 2021 rate case settlement agreement.

In the third quarter of 2017, Tampa Electric was impacted by Hurricane Irma and incurred storm restoration costs of approximately \$102 million, of which \$90 million was charged to the storm reserve, \$3 million was charged to O&M expense and \$9 million was charged to capital expenditures. Tampa Electric petitioned the FPSC on December 28, 2017 for recovery of estimated Hurricane Irma storm costs plus approximately \$10 million in restoration costs from prior named storms and to replenish the balance in the reserve to the \$56 million level that existed as of October 31, 2013.

On April 9, 2019, Tampa Electric reached a settlement agreement with consumer parties regarding eligible storm costs, which was approved by the FPSC on May 21, 2019. As a result, Tampa Electric refunded \$12 million to customers in January 2020, resulting in minimal impact to the Consolidated Statements of Income.

In 2021, 2020 and 2019, Tampa Electric incurred total storm restoration preparation costs for multiple hurricanes of approximately \$10 million, which was charged to the storm reserve regulatory liability.

### **PGS Base Rates**

PGS's base rates for 2021 were established in 2020, and its base rates for 2020 and 2019 were originally established in May 2009.

On February 7, 2017, the FPSC approved a settlement agreement filed by PGS and the OPC in which PGS agreed to adopt new depreciation rates, accelerate the amortization of the regulatory asset associated with environmental remediation costs as described below, include obsolete plastic pipe replacements through the existing cast iron and bare steel replacement rider, and establish an ROE range of 9.25% to 11.75%. The settlement agreement provided that the bottom of the range would remain until the earlier of new base rates established in PGS's next general base rate proceeding or December 31, 2020 and the ROE of 10.75% would continue to be used for the calculation of return on investment for clauses and riders. The allowed equity in its capital structure was 54.7% from all investor sources of capital.

As part of the 2017 settlement, PGS and the OPC agreed that at least \$32 million of PGS's regulatory asset associated with the environmental liability for current and future remediation costs related to former MGP sites, to the extent expenses are reasonably and prudently incurred, would be amortized over the period 2016 through 2020. In 2018, the FPSC approved a settlement agreement authorizing PGS to accelerate in 2018 the remaining amortization of PGS's regulatory asset associated with the MGP environmental liability of \$11 million to net it against the estimated 2018 tax reform benefits. In January 2019, PGS reduced its base rates by \$12 million for the impact of tax reform and reduced depreciation rates by \$10 million in accordance with the settlement agreement.

On June 8, 2020, PGS filed a petition for an increase in rates and service charges effective January 2021. On November 19, 2020, the FPSC approved a settlement agreement filed by PGS and OPC. The settlement agreement provides for an increase in base rates by \$58 million annually effective January 2021, which is a \$34 million increase in revenue and \$24 million increase of revenues previously recovered through the cast iron and bare steel replacement rider. This settlement agreement includes an allowed regulatory ROE range of 8.90% to 11.00% with a 9.90% midpoint, including the ability to reverse a total of \$34 million of accumulated depreciation through 2023. PGS has not reversed any of this accumulated depreciation to date. In addition, the agreement sets new depreciation rates effective January 1, 2021 that are consistent with PGS's current overall average depreciation rate. Under the agreement, base rates are frozen from January 1, 2021 to December 31, 2023, unless its earned ROE were to fall below 8.90% before that time with an allowed equity in the capital structure of 54.7% from investor sources of capital. The settlement agreement further addresses tax rate changes. The agreement contains a provision whereby PGS agrees to quantify the future impact of a decrease in tax rates on net operating income through a reduction in base revenues within 120 days of when such tax change becomes law. If on the contrary, tax legislation results in a tax rate increase, PGS can establish a regulatory asset to neutralize the impact of the increase in income tax rate to be addressed in a future proceeding and with recovery beginning no sooner than January 2024.

## Regulatory Assets and Liabilities

Details of the regulatory assets and liabilities are presented in the following table:

### Regulatory Assets and Liabilities

(millions)	December 31, 2021	December 31, 2020
<b>Regulatory assets:</b>		
Regulatory tax asset <sup>(1)</sup>	\$ 117	\$ 90
Cost-recovery clauses <sup>(2)</sup>	89	38
Capital cost recovery for early retired assets <sup>(3)</sup>	518	0
Environmental remediation <sup>(4)</sup>	22	22
Postretirement benefits <sup>(5)</sup>	230	309
Asset retirement obligation <sup>(6)</sup>	11	13
Other	15	13
Total regulatory assets	1,002	485
Less: Current portion	136	79
Long-term regulatory assets	<u>\$ 866</u>	<u>\$ 406</u>
<b>Regulatory liabilities:</b>		
Regulatory tax liability <sup>(7)</sup>	\$ 638	\$ 691
Cost-recovery clauses - deferred balances <sup>(2)</sup>	16	23
Accumulated reserve—cost of removal <sup>(8)</sup>	468	498
Storm reserve <sup>(9)</sup>	46	48
Other	2	1
Total regulatory liabilities	1,170	1,261
Less: Current portion	78	67
Long-term regulatory liabilities	<u>\$ 1,092</u>	<u>\$ 1,194</u>

- (1) The regulatory tax asset is primarily associated with the depreciation and recovery of AFUDC-equity. This asset does not earn a return but rather is included in the capital structure, which is used in the calculation of the weighted cost of capital used to determine revenue requirements. It will be recovered over the expected life of the related assets. The regulatory tax asset balance reflects the impact of the federal corporate income tax rate reduction.
- (2) These assets and liabilities are related to FPSC clauses and riders. They are recovered or refunded through cost-recovery mechanisms approved by the FPSC on a dollar-for-dollar basis in a subsequent period.
- (3) This regulatory asset is related to the remaining net book value of Big Bend Units 1 through 3 and smart meter assets that were retired. The balance earns a rate of return as permitted by the FPSC and will be recovered as a separate line item on customer bills for a period of 15 years. See “Tampa Electric Big Bend Modernization Project” above for further information.
- (4) This asset is related to costs associated with environmental remediation primarily at MGP sites. The balance is included in rate base, partially offsetting the related liability, and earns a rate of return as permitted by the FPSC. The timing of recovery is based on a settlement agreement approved by the FPSC.
- (5) This asset is related to the deferred costs of postretirement benefits and it is amortized over the remaining service life of plan participants. Deferred costs of postretirement benefits that are included in expense are recognized as cost of service for rate-making purposes as permitted by the FPSC.
- (6) This asset is related to costs associated with an asset retirement obligation, which is a legal obligation for the future retirement of certain tangible, long-lived assets. This regulatory asset does not earn a return because it is offset with related assets and liabilities within rate base. It is recovered and removed as the obligation is settled and removed as the activities for the retirement of the related assets have been completed.
- (7) The regulatory tax liability is primarily related to the revaluation of TEC’s deferred income tax balances recorded on December 31, 2017 at the lower corporate income tax rate due to U.S. tax reform. The liability related to the revaluation of the deferred income tax balances is amortized and returned to customers through rate reductions or other revenue offsets based on IRS regulations and the settlement agreement for tax reform benefits approved by the FPSC.
- (8) This item represents the non-ARO cost of removal in the accumulated reserve for depreciation. AROs are costs for legally required removal of property, plant and equipment. Non-ARO cost of removal represents estimated funds received from customers through depreciation rates to cover future non-legally required cost of removal of property, plant and equipment, net of salvage value upon retirement, which reduces rate base for ratemaking purposes. This liability is reduced as costs of removal are incurred.
- (9) See “Tampa Electric Storm Restoration Cost Recovery” discussion above for information regarding this reserve.



#### 4. Income Taxes

##### CARES Act

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The CARES Act includes several business provisions including deferral in employer payroll taxes and an employee retention payroll tax credit. On December 27, 2020, the Consolidated Appropriations Act, 2021 (the 2021 Act) was signed into law. The 2021 Act provides for modifications and expansion of the employee retention payroll tax credit enacted under the CARES Act. The 2021 Act also extends the solar ITC for two years. These laws did not have a material impact on TEC's financial statements.

##### Employee Retention Payroll Tax Credit

On March 11, 2021, the American Rescue Plan Act of 2021 was signed into law. This law included an extension of the employee retention payroll tax credit through December 31, 2021. On November 15, 2021, the Infrastructure Investment and Jobs Act, which provides for termination of the employee retention payroll tax credit as of September 30, 2021, was signed into law. These laws did not have a material impact on TEC's financial statements.

##### Change in Florida Corporate Income Tax Rate

On September 14, 2021, the state of Florida issued a corporate tax rate reduction from 4.46% to 3.53% effective January 1, 2021 through December 31, 2021. In 2021, TEC recorded a \$4 million regulatory liability in recognition of its obligation to pass the tax rate reduction expense benefit to customers per the 2017 settlement agreement.

##### Income Tax Expense

TEC is included in a consolidated U.S. federal income tax return with EUSHI and its subsidiaries. TEC's income tax expense is based upon a separate return method, modified for the benefits-for-loss allocation in accordance with respective tax sharing agreements of TECO Energy and EUSHI. To the extent that TEC's cash tax positions are settled differently than the amount reported as realized under the tax sharing agreement, the difference is accounted for as either a capital contribution or a distribution.

In 2021, 2020 and 2019, TEC recorded net tax provisions of \$80 million, \$82 million and \$77 million, respectively.

Income tax expense consists of the following components:

##### Income Tax Expense (Benefit)

<i>(millions)</i>			
<i>For the year ended December 31,</i>			
	2021	2020	2019
Current income taxes			
Federal	\$ 48	\$ 35	\$ 56
State	4	(7)	6
Deferred income taxes			
Federal	24	32	7
State	13	29	13
Investment tax credits amortization	(9)	(7)	(5)
Total income tax expense	<u>\$ 80</u>	<u>\$ 82</u>	<u>\$ 77</u>

For the three years presented, the overall effective tax rate differs from the U.S. federal statutory rate as presented below:

### Effective Income Tax Rate

(millions)

For the year ended December 31,

	2021	2020	2019
Income before provision for income taxes	\$ 526	\$ 506	\$ 447
Federal statutory income tax rates	21%	21%	21%
Income taxes, at statutory income tax rate	110	106	94
Increase (decrease) due to			
State income tax, net of federal income tax	13	17	15
Excess deferred tax amortization	(26)	(26)	(25)
ITC amortization	(9)	(7)	(5)
AFUDC-equity	(9)	(6)	(2)
Tax credits	(3)	(8)	(1)
Other	4	6	1
Total income tax expense on consolidated statements of income	\$ 80	\$ 82	\$ 77
Income tax expense as a percent of income before income taxes	15.2%	16.2%	17.2%

### Deferred Income Taxes

Deferred taxes result from temporary differences in the recognition of certain liabilities or assets for tax and financial reporting purposes. The principal components of TEC's deferred tax assets and liabilities recognized in the balance sheet are as follows:

(millions)

As of December 31,

	2021	2020
Deferred tax liabilities <sup>(1)</sup>		
Property related	\$ 1,210	\$ 1,121
Pension and postretirement benefits	98	116
Total deferred tax liabilities	1,308	1,237
Deferred tax assets <sup>(1)</sup>		
Loss and credit carryforwards <sup>(2)</sup>	340	301
Medical benefits	26	27
Insurance reserves	15	16
Pension and postretirement benefits	46	66
Capitalized energy conservation assistance costs	20	18
Other	3	26
Total deferred tax assets	450	454
Total deferred tax liability, net	\$ 858	\$ 783

(1) Certain property related assets and liabilities have been netted.

(2) Deferred tax assets for net operating loss and tax credit carryforwards have been reduced by unrecognized tax benefits of \$6 million and \$9 million at December 31, 2021 and 2020, respectively.

At December 31, 2021, TEC had cumulative unused federal and Florida NOLs for income tax purposes of \$312 million and \$83 million, respectively, expiring between 2032 and 2037. TEC has unused general business credits of \$286 million expiring between 2027 and 2041, of which \$264 million relate to ITCs expiring between 2034 and 2041. As a result of TECO Energy's merger with Emera in 2016, TECs NOLs and credits will be utilized by EUSHI, in accordance with the benefits-for-loss allocation which provide that tax attributes are utilized by the consolidated tax return group of EUSHI.

### Unrecognized Tax Benefits

TEC accounts for uncertain tax positions as required by U.S. GAAP. This guidance addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Authoritative guidance related to accounting for uncertainty in income taxes requires an enterprise to recognize in its financial statements the best estimate of the impact of a tax position by determining if the weight of the available evidence indicates that it is more likely than not, based solely on the technical merits, that the position will be sustained upon examination, including resolution of any related appeals and litigation processes.

The following table provides details of the change in unrecognized tax benefits as follows:

(millions)	2021	2020	2019
Balance at January 1,	\$ 9	\$ 9	\$ 8
Decreases due to tax positions related to prior year	0	(2)	0
Increases due to tax positions related to prior year	1	1	1
Increases due to tax positions related to current year	1	1	0
Decreases due to settlements with tax authorities	(5)	0	0
Balance at December 31,	<u>\$ 6</u>	<u>\$ 9</u>	<u>\$ 9</u>

As of December 31, 2021 and 2020, TEC's uncertain tax positions for federal R&D tax credits were \$6 million and \$9 million, respectively, all of which was recorded as a reduction of deferred income tax assets for tax credit carryforwards. TEC's unrecognized federal tax benefits decreased in 2021 and 2020 by approximately \$5 million and \$2 million, respectively, due to the resolution of its 2016 federal tax credits issue with IRS Appeals. The recognition of the 2020 tax benefits decreased the effective tax rate resulting in an income tax benefit of approximately \$2 million in 2020. The settlement of the federal R&D credits audit did not impact the effective tax rate during 2021. TEC had \$6 million and \$9 million of unrecognized tax benefits at December 31, 2021 and 2020, respectively, that, if recognized, would reduce TEC's effective tax rate.

TEC recognizes interest accruals related to uncertain tax positions in "Other income" or "Interest expense", as applicable, and penalties in "Operation and maintenance expense" in the Consolidated Statements of Income. In 2021, 2020 and 2019, TEC did not recognize any pre-tax charges (benefits) for interest. Additionally, TEC did not have any accrued interest or amounts recorded for penalties at December 31, 2021, 2020 and 2019.

The IRS concluded the Compliance Assurance Program (CAP) audit for the short tax year ending June 30, 2016 and the EUSHI 2016 federal consolidated tax return, which includes TEC's short tax year ending December 31, 2016. The U.S. federal statute of limitations remains open for the year 2017 and forward. Florida's statute of limitations is three years from the filing of an income tax return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. Years still open to examination by Florida's tax authorities include 2005 and forward as a result of TECO Energy's consolidated Florida net operating loss still being utilized.

## 5. Employee Postretirement Benefits

### Pension Benefits

TEC is a participant in the comprehensive retirement plans of TECO Energy, including a qualified, non-contributory defined benefit retirement plan that covers substantially all employees. Benefits are based on the employees' age, years of service and final average earnings. Where appropriate and reasonably determinable, the portion of expenses, income, gains or losses allocable to TEC are presented. Otherwise, such amounts presented reflect the amount allocable to all participants of the TECO Energy retirement plans.

Amounts disclosed for pension benefits in the following tables and discussion also include the fully-funded obligations for the SERP and the unfunded obligations of the Restoration Plan. The SERP is a non-qualified, non-contributory defined benefit retirement plan available to certain members of senior management. The Restoration Plan is a non-qualified, non-contributory defined benefit retirement plan that allows certain members of senior management to receive contributions as if no IRS limits were in place.

Effective October 21, 2019, the defined benefit retirement plan was amended to freeze further crediting of service and earnings for certain participants covered by the International Brotherhood of Electrical Workers (the IBEW) collective bargaining agreement. As of December 31, 2019, 24% of TEC's employees were represented by the IBEW. As a result, a curtailment and a remeasurement of the plan occurred in the fourth quarter of 2019. See curtailment-related line items in tables below.

As the result of the reorganization of shared services functions, certain employees and their associated pension benefits were transferred from TSI to TEC effective December 2019. Deferred costs related to pension benefits that were recognized by TSI in AOCI are now recognized in TEC as regulatory assets. The balances at December 31, 2021, 2020 and 2019 are reflective of this transfer.

### Other Postretirement Benefits

TECO Energy and its subsidiaries currently provide certain postretirement health care and life insurance benefits (other benefits) for most employees retiring after age 50 meeting certain service requirements. Where appropriate and reasonably determinable, the portion of expenses, income, gains or losses allocable to TEC are presented. Otherwise, such amounts presented reflect the amount allocable to all participants of the TECO Energy postretirement health care and life insurance plans. Postretirement benefit levels are substantially unrelated to salary. TECO Energy reserves the right to terminate or modify the plans in whole or in part at any time.

As the result of a reorganization of shared services functions, certain employees and their associated other postretirement benefits were transferred from TSI to TEC effective December 2019. Deferred costs related to other postretirement benefits that were

recognized by TSI in AOCI are now recognized in TEC as regulatory assets. The balances at December 31, 2021 and 2020 are reflective of this transfer.

### Obligations and Funded Status

TEC recognizes in its statement of financial position the over-funded or under-funded status of its allocated portion of TECO Energy's postretirement benefit plans. This status is measured as the difference between the fair value of plan assets and the PBO in the case of its defined benefit plan, or the APBO in the case of its other postretirement benefit plan. Changes in the funded status are reflected, net of estimated tax benefits, in benefit liabilities and regulatory assets. The results of operations are not impacted.

The following table provides a detail of the change in TECO Energy's benefit obligations and change in plan assets for combined pension plans (pension benefits) and TECO Energy's Florida-based other postretirement benefit plan (other benefits).

TECO Energy Obligations and Funded Status (millions)	Pension Benefits		Other Benefits <sup>(2)</sup>	
	2021	2020	2021	2020
<b>Change in benefit obligation</b>				
Benefit obligation at beginning of year	\$ 919	\$ 843	\$ 212	\$ 180
Service cost	19	20	2	2
Interest cost	21	26	5	6
Plan participants' contributions	0	0	4	4
Benefits paid	(77)	(54)	(17)	(17)
Actuarial (gain) loss	(32)	84	(6)	37
Benefit obligation at end of year	<u>\$ 850</u>	<u>\$ 919</u>	<u>\$ 200</u>	<u>\$ 212</u>
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	\$ 903	\$ 796	\$ 0	\$ 0
Actual return on plan assets	76	142	0	0
Employer contributions	21	19	0	0
Employer direct benefit payments	1	1	13	13
Plan participants' contributions	0	0	4	4
Benefits paid	(76)	(54)	0	0
Direct benefit payments	(1)	(1)	(17)	(17)
Fair value of plan assets at end of year <sup>(1)</sup>	<u>\$ 924</u>	<u>\$ 903</u>	<u>\$ 0</u>	<u>\$ 0</u>

- (1) The MRV of plan assets is used as the basis for calculating the EROA component of periodic pension expense. MRV reflects the fair value of plan assets adjusted for experience gains and losses (i.e. the differences between actual investment returns and expected returns) spread over five years.
- (2) Represent amounts for TECO Energy's Florida-based other postretirement benefit plan.

Decreases in the benefit obligation for the period ended December 31, 2021 are the result of increases in the discount rate used to calculate the benefit obligation, incorporation of new census data as of January 1, 2021 and the updating of the retirement rate as the result of an experience study performed during the year.

At December 31, the aggregate financial position for TECO Energy pension plans and Florida-based other postretirement plans with projected benefit obligations and accumulated projected benefit obligations in excess of plan assets was as follows:

TECO Energy Funded Status (millions)	Pension Benefits		Other Benefits <sup>(1)</sup>	
	2021	2020	2021	2020
Benefit obligation (PBO/APBO)	\$ 850	\$ 919	\$ 200	\$ 212
Less: Fair value of plan assets	924	903	0	0
Funded status at end of year	<u>\$ 74</u>	<u>\$ (16)</u>	<u>\$ (200)</u>	<u>\$ (212)</u>

- (1) Represent amounts for TECO Energy's Florida-based other postretirement benefit plan.

The accumulated benefit obligation for TECO Energy consolidated defined benefit pension plans was \$819 million at December 31, 2021 and \$876 million at December 31, 2020.

The amounts recognized in TEC's Consolidated Balance Sheets for pension and other postretirement benefit obligations and plan assets at December 31 were as follows:

TEC Amounts recognized in balance sheet (millions)	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Noncurrent assets	\$ 78	\$ 0	\$ 0	\$ 0
Accrued benefit costs and other current liabilities	(3)	(1)	(12)	(12)
Deferred credits and other liabilities	(12)	(15)	(175)	(186)
	<u>\$ 63</u>	<u>\$ (16)</u>	<u>\$ (187)</u>	<u>\$ (198)</u>

Unrecognized gains and losses and prior service credits and costs are recorded in regulatory assets for TEC. The following table provides a detail of the unrecognized gains and losses and prior service credits and costs.

TEC Amounts recognized in regulatory assets (millions)	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Net actuarial loss (gain)	\$ 150	\$ 221	\$ 79	\$ 88
Amount recognized	<u>\$ 150</u>	<u>\$ 221</u>	<u>\$ 79</u>	<u>\$ 88</u>

#### Assumptions used to determine benefit obligations at December 31:

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Discount rate	2.77%	2.37%	2.84%	2.47%
Rate of compensation increase	3.05%	3.07%	3.04%	3.07%
Healthcare cost trend rate				
Immediate rate	n/a	n/a	5.61%	5.74%
Ultimate rate	n/a	n/a	4.00%	4.50%
Year rate reaches ultimate trend rate	n/a	n/a	2045	2038

The discount rate assumption used to determine the December 31, 2021 and 2020 benefit obligation was based on a cash flow matching technique that matches yields from high-quality (AA-rated, non-callable) corporate bonds to TECO Energy's projected cash flows for the plans to develop a present value that is converted to a discount rate assumption.

#### Amounts recognized in Net Periodic Benefit Cost, OCI and Regulatory Assets

TECO Energy (millions)	Pension Benefits			Other Benefits <sup>(1)</sup>		
	2021	2020	2019	2021	2020	2019
Service cost	\$ 19	\$ 20	\$ 20	\$ 2	\$ 2	\$ 1
Interest cost	21	26	31	5	6	7
Expected return on plan assets	(52)	(50)	(51)	0	0	0
Amortization of:						
Actuarial loss	24	20	16	4	1	1
Prior service (benefit) cost	0	0	0	(2)	(3)	(2)
Settlement loss	0	0	1 <sup>(2)</sup>	0	0	0
Net periodic benefit cost	<u>\$ 12</u>	<u>\$ 16</u>	<u>\$ 17</u>	<u>\$ 9</u>	<u>\$ 6</u>	<u>\$ 7</u>

Net loss (gain) arising during the year (includes curtailment gain)	\$ (56)	\$ (8)	\$ (17)	\$ (5)	\$ 38	\$ 9
Amounts recognized as component of net periodic benefit cost:						
Amortization or curtailment recognition of prior service credit	0	0	0	2	2	2
Amortization or settlement of actuarial loss	(23)	(20)	(17)	(4)	(1)	(1)
Total recognized in OCI and regulatory assets	<u>\$ (79)</u>	<u>\$ (28)</u>	<u>\$ (34)</u>	<u>\$ (7)</u>	<u>\$ 39</u>	<u>\$ 10</u>
<b>Total recognized in net periodic benefit cost, OCI and regulatory assets</b>	<u>\$ (67)</u>	<u>\$ (12)</u>	<u>\$ (17)</u>	<u>\$ 2</u>	<u>\$ 45</u>	<u>\$ 17</u>

- (1) Represents amounts for TECO Energy's Florida-based other postretirement benefit plan  
(2) Represents TECO Energy's SERP and Restoration settlement charges as a result of the retirement of certain executives. These charges did impact TEC's financial statements.

TEC's portion of the net periodic benefit costs for pension benefits was \$10 million, \$12 million and \$12 million for 2021, 2020 and 2019, respectively. TEC's portion of the net periodic benefit costs for other benefits was \$11 million, \$7 million and \$7 million for 2021, 2020 and 2019, respectively. TEC's portion of net periodic benefit costs for pension and other benefits is included as an expense on the Consolidated Statements of Income in "Operations & maintenance".

**Assumptions used to determine net periodic benefit cost for years ended December 31:**

	Pension Benefits				Other Benefits		
	2021	2020	2019		2021	2020	2019
Discount rate	2.37%	3.21%	4.33%		2.47%	3.32%	4.38%
Expected long-term return on plan assets	6.70%	7.00%	7.35%/7.00%	(1)	n/a	n/a	n/a
Rate of compensation increase	3.08%	3.79%	3.75%		3.07%	3.79%	3.75%
Healthcare cost trend rate							
Initial rate	n/a	n/a	n/a		5.74%	6.03%	6.31%
Ultimate rate	n/a	n/a	n/a		4.50%	4.50%	4.50%
Year rate reaches ultimate trend rate	n/a	n/a	n/a		2038	2038	2038

- (1) The expected return on assets was 7.35% as of January 1, 2019 and 7.00% as of October 31, 2019 when a plan remeasurement occurred as a result of a plan curtailment.

The discount rate assumption used to determine the benefit cost for 2021, 2020 and 2019 was based on the same technique that was used to determine the December 31, 2021 and 2020 benefit obligation as discussed above.

The expected return on assets assumption was based on historical returns, fixed income spreads and equity premiums consistent with the portfolio and asset allocation. A change in asset allocations could have a significant impact on the expected return on assets. Additionally, expectations of long-term inflation, real growth in the economy and a provision for active management and expenses paid were incorporated in the assumption. For the year ended December 31, 2021, TECO Energy's pension plan's actual earned returns were approximately 9%.

The compensation increase assumption was based on the same underlying expectation of long-term inflation together with assumptions regarding real growth in wages and company-specific merit and promotion increases.

**Pension Plan Assets**

Pension plan assets (plan assets) are invested in a mix of equity and fixed-income securities. TECO Energy's investment objective is to obtain above-average returns while minimizing volatility of expected returns and funding requirements over the long term. TECO Energy's strategy is to hire proven managers and allocate assets to reflect a mix of investment styles, emphasize preservation of principal to minimize the impact of declining markets, and stay fully invested except for cash to meet benefit payment obligations and plan expenses.

TECO Energy Asset Category	2021 Target Allocation	2020 Target Allocation	Actual Allocation, End of Year	
			2021	2020
Equity securities	50%-70%	50%-70%	59%	60%
Fixed income securities	30%-50%	30%-50%	41%	40%
Total	100%	100%	100%	100%

TECO Energy reviews the plan's asset allocation periodically and re-balances the investment mix to maximize asset returns, optimize the matching of investment yields with the plan's expected benefit obligations, and minimize pension cost and funding. TECO Energy expects to take additional steps to more closely match plan assets with plan liabilities over the long term.

The plan's investments are held by a trust fund administered by The Bank of New York Mellon. Investments are valued using quoted market prices on an exchange when available. Such investments are classified Level 1. In some cases where a market exchange price is available but the investments are traded in a secondary market, acceptable practical expedients are used to calculate fair value.

If observable transactions and other market data are not available, fair value is based upon third-party developed models that use, when available, current market-based or independently-sourced market parameters such as interest rates, currency rates or option volatilities. Items valued using third-party generated models are classified according to the lowest level input or value driver that is most significant to the valuation. Thus, an item may be classified in Level 3 even though there may be significant inputs that are readily observable.

As required by the fair value accounting standards, the investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The plan's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. For cash equivalents, the cost approach was used in determining fair value. For bonds and U.S. government agencies, the income approach was used. For other investments, the market approach was used. The following table sets forth by level within the fair value hierarchy the plan's investments.

#### Pension Plan Investments

##### TECO Energy

(millions)

	At Fair Value as of December 31, 2021				
	Level 1	Level 2	Level 3	Using NAV <sup>(1)</sup>	Total
Cash	\$ 4	\$ 0	\$ 0	\$ 0	\$ 4
Accounts receivable	4	0	0	0	4
Accounts payable	(70)	0	0	0	(70)
Short-term investment funds (STIFs)	31	0	0	0	31
Common stocks	46	0	0	0	46
Real estate investment trusts (REITs)	6	0	0	0	6
Mutual funds	68	0	0	0	68
Municipal bonds	0	1	0	0	1
Government bonds	0	81	0	0	81
Corporate bonds	0	78	0	0	78
Mortgage backed securities (MBS)	0	1	0	0	1
Collateralized mortgage obligations (CMOs)	0	1	0	0	1
Short Sales	0	(2)	0	0	(2)
Long Futures	1	0	0	0	1
Swaps	0	1	0	0	1
<b>Investments not utilizing the practical expedient</b>	90	161	0	0	251
Common and collective trusts <sup>(1)</sup>	0	0	0	592	592
Mutual fund <sup>(1)</sup>	0	0	0	81	81
<b>Total investments</b>	<b>\$ 90</b>	<b>\$ 161</b>	<b>\$ 0</b>	<b>\$ 673</b>	<b>\$ 924</b>

- (1) In accordance with accounting standards, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts in this table are to permit reconciliation of the fair value hierarchy to amounts presented in the Consolidated Balance Sheet of TECO Energy.



TECO Energy (millions)	At Fair Value as of December 31, 2020				
	Level 1	Level 2	Level 3	Using NAV <sup>(1)</sup>	Total
Cash	\$ 9	\$ 0	\$ 0	\$ 0	\$ 9
Accounts receivable	10	0	0	0	10
Accounts payable	(88)	0	0	0	(88)
Short-term investment funds (STIFs)	35	0	0	0	35
Common stocks	66	0	0	0	66
Real estate investment trusts (REITs)	8	0	0	0	8
Mutual funds	69	0	0	0	69
Municipal bonds	0	1	0	0	1
Government bonds	0	90	0	0	90
Corporate bonds	0	79	0	0	79
Mortgage backed securities (MBS)	0	1	0	0	1
Collateralized mortgage obligations (CMOs)	0	1	0	0	1
Short Sales	0	(4)	0	0	(4)
Long Futures	(2)	0	0	0	(2)
Swaps	0	1	0	0	1
<b>Investments not utilizing the practical expedient</b>	107	169	0	0	276
Common and collective trusts <sup>(1)</sup>	0	0	0	553	553
Mutual fund <sup>(1)</sup>	0	0	0	74	74
<b>Total investments</b>	<u>\$ 107</u>	<u>\$ 169</u>	<u>\$ 0</u>	<u>\$ 627</u>	<u>\$ 903</u>

(1) In accordance with accounting standards, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts in this table are to permit reconciliation of the fair value hierarchy to amounts presented in the Consolidated Balance Sheet of TECO Energy.

The following list details the pricing inputs and methodologies used to value the investments in the pension plan:

- Cash collateral is valued at cash posted due to its short-term nature.
- The STIF is valued at net asset value (NAV). The fund is an open-end investment, resulting in a readily-determinable fair value. Additionally, shares may be redeemed any business day at the NAV calculated after the order is accepted. The NAV is validated with purchases and sales at NAV. These factors make the STIF a level 1 asset.
- The primary pricing inputs in determining the fair value of the Common stocks and REITs are closing quoted prices in active markets.
- The primary pricing inputs in determining the level 1 mutual funds are the mutual funds' NAVs. The funds are registered open-end mutual funds and the NAVs are validated with purchases and sales at NAV. Since the fair values are determined and published, they are considered readily-determinable fair values and therefore Level 1 assets.
- The primary pricing inputs in determining the fair value of Municipal bonds are benchmark yields, historical spreads, sector curves, rating updates, and prepayment schedules. The primary pricing inputs in determining the fair value of Government bonds are the U.S. treasury curve, CPI, and broker quotes, if available. The primary pricing inputs in determining the fair value of Corporate bonds are the U.S. treasury curve, base spreads, YTM, and benchmark quotes. CMOs are priced using to-be-announced (TBA) prices, treasury curves, swap curves, cash flow information, and bids and offers as inputs. MBS are priced using TBA prices, treasury curves, average lives, spreads, and cash flow information.
- Swaps are valued using benchmark yields, swap curves, and cash flow analyses.
- The primary pricing input in determining the fair value of the mutual fund utilizing the practical expedient is its NAV. It is an unregistered open-end mutual fund. The fund holds primarily corporate bonds, debt securities and other similar instruments issued by U.S. and non-U.S. public- or private-sector entities. The fund may purchase or sell securities on a when-issued basis. These transactions are made conditionally because a security has not yet been issued in the market, although it is authorized. A commitment is made regarding these transactions to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. Since this mutual fund is an open-end mutual fund and the prices are not published to an external source, it uses NAV as a practical expedient. The redemption frequency is daily. The redemption notice period is the same day. There were no unfunded commitments as of December 31, 2021.
- The common collective trusts are private funds valued at NAV. The NAVs are calculated based on bid prices of the underlying securities. Since the prices are not published to external sources, NAV is used as a practical expedient. Certain funds invest primarily in equity securities of domestic and foreign issuers while others invest in long duration U.S. investment-grade fixed income assets and seeks to increase return through active management of interest rate and credit risks.



The redemption frequency of the funds ranges from daily to weekly and the redemption notice period ranges from 1 business day to 30 business days. There were no unfunded commitments as of December 31, 2021.

- Treasury bills are valued using benchmark yields, reported trades, broker dealer quotes, and benchmark securities.
- Futures are valued using futures data, cash rate data, swap rates, and cash flow analyses.

Additionally, the non-qualified SERP had \$10 million and \$10 million of assets as of December 31, 2021 and 2020, respectively. Since the plan is non-qualified, its assets are included in the “Deferred charges and other assets” line item in the Consolidated Balance Sheets rather than being netted with the related liability. The non-qualified trust holds investments in a money market fund. The fund is an open-end investment, resulting in a readily-determinable fair value. Additionally, shares may be redeemed any business day at the NAV calculated after the order is accepted. The NAV is validated with purchases and sales at NAV. These factors make it a level 1 asset. The SERP was fully funded as of December 31, 2021 and 2020.

### **Other Postretirement Benefit Plan Assets**

There are no assets associated with TECO Energy’s Florida-based other postretirement benefits plan.

### **Contributions**

The qualified pension plan’s actuarial value of assets, including credit balance, was 122.19% of the Pension Protection Act funded target as of January 1, 2021 and is estimated at 133.60% of the Pension Protection Act funded target as of January 1, 2022.

TECO Energy’s policy is to fund the qualified pension plan at or above amounts determined by its actuaries to meet ERISA guidelines for minimum annual contributions and minimize PBGC premiums paid by the plan. TEC’s contribution is first set equal to its service cost. If a contribution in excess of service cost for the year is made, TEC’s portion is based on TEC’s proportion of the TECO Energy unfunded liability. TECO Energy made contributions to this plan in 2021, 2020 and 2019, which met the minimum funding requirements for 2021, 2020 and 2019. TEC’s portion of the contribution in 2021 was \$17 million and in 2020 was \$16 million. These amounts are reflected in the “Other” line on the Consolidated Statements of Cash Flows. TEC estimates its portion of the 2022 contribution to be \$15 million. The amount TECO Energy expects to contribute is in excess of the minimum funding required under ERISA guidelines.

TEC’s portion of the contributions to the SERP in 2021, 2020 and 2019 was zero. Since the SERP is fully funded, TECO Energy does not expect to make significant contributions to this plan in 2022. TEC made SERP payments of approximately \$1 million, \$1 million and \$5 million from the trust in 2021, 2020 and 2019, respectively, and expects to make a SERP payment of approximately \$1 million from the trust in 2022.

The other postretirement benefits are funded annually to meet benefit obligations. TECO Energy’s contribution toward health care coverage for most employees who retired after the age of 55 between January 1, 1990 and June 30, 2001 is limited to a defined dollar benefit based on service. TECO Energy’s contribution toward pre-65 and post-65 health care coverage for most employees retiring on or after July 1, 2001 is limited to a defined dollar benefit based on an age and service schedule. In 2022, TEC expects to make a contribution of about \$12 million. Postretirement benefit levels are substantially unrelated to salary.

### **Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

#### **Expected Benefit Payments**

##### **TECO Energy**

**(including projected service and net of employee contributions)**

	<b>Pension Benefits</b>	<b>Other Postretirement Benefits</b>
<i>(millions)</i>		
2022	\$ 69	\$ 13
2023	72	14
2024	69	14
2025	68	14
2026	66	13
2027-2031	302	61

### **Defined Contribution Plan**

TECO Energy has a defined contribution savings plan covering substantially all employees of TECO Energy and its subsidiaries that enables participants to save a portion of their compensation up to the limits allowed by IRS guidelines. TECO Energy and its subsidiaries match 75% of the first 6% of the participant’s payroll savings deductions. Effective January 1, 2017, the employer

matching contributions increased from 70% to 75% with an additional incentive match of up to 25% of eligible participant contributions based on the achievement of certain operating company financial goals. For the years ended December 31, 2021, 2020 and 2019, TEC's portion of expense totaled \$22 million, \$21 million and \$11 million, respectively, related to the matching contributions made to this plan. TEC's portion of the expense related to the matching contribution is included on the Consolidated Statements of Income in "Operations & maintenance".

Effective October 21, 2019, TECO Energy amended the defined contribution plan such that certain participants covered by the IBEW collective bargaining agreement shall not be eligible to participate in the plan for purposes of receiving the fixed matching contribution. This has been replaced with a non-elective employer contribution on a bi-weekly basis equal to a percentage of the member's compensation for that period based on years of tenure of employment. For the years ended December 31, 2021, 2020 and 2019, TEC recognized expense totaling \$10 million, \$9 million and \$1 million, respectively, related to the contributions made to this plan. TEC's portion of the expense related to this contribution is included on the Consolidated Statements of Income in "Operations & maintenance".

## 6. Short-Term Debt

### Credit Facilities

		December 31, 2021			December 31, 2020		
	Credit	Borrowings	Borrowings	Letters		Borrowings	Letters
	Facilities	Outstanding -	Outstanding -	of Credit	Credit	Outstanding	of Credit
(millions)		Credit Facilities <sup>(1)</sup>	Commercial Paper <sup>(1)</sup>	Outstanding	Facilities	Outstanding <sup>(1)</sup>	Outstanding
5-year facility <sup>(2)</sup>	\$ 800	\$ 0	\$ 245	\$ 1	\$ 800	\$ 345	\$ 1
3-year accounts receivable facility <sup>(3)</sup>	0	0	0	0	150	130	0
1-year term facility <sup>(4)</sup>	500	500	0	0	300	300	0
Total	\$ 1,300	\$ 500	\$ 245	\$ 1	\$ 1,250	\$ 775	\$ 1

- (1) Borrowings outstanding are reported as notes payable in the Consolidated Balance Sheets.
- (2) This 5-year facility matures on December 17, 2026. TEC also has an active commercial paper program for up to \$800 million, of which the full amount outstanding is backed by TEC's credit facility. The amount of commercial paper issued results in an equal amount of its credit facility being considered drawn and unavailable.
- (3) This 3-year facility matured on March 22, 2021.
- (4) This 1-year term facility was terminated on March 23, 2021. On December 17, 2021, TEC entered into another 1-year term facility that matures on December 16, 2022.

At December 31, 2021, this credit facility required a commitment fee of 12.5 basis points. The weighted-average interest rate on borrowings outstanding under the credit facilities and commercial paper at December 31, 2021 and 2020 was 0.58% and 0.89%, respectively.

### Commercial Paper Program

On May 25, 2021, TEC established a commercial paper program (the Program) under which TEC may issue on a private placement basis unsecured commercial paper notes (the Notes). Amounts available under the Program may be borrowed, repaid and reborrowed with the aggregate amount of the Notes outstanding under the Program at any time not to exceed \$800 million. The maturities of the Notes will vary, but may not exceed 270 days from the date of issue. The rates of interest will depend on whether the Note will be a fixed or floating rate. TEC must have credit facilities in place, at least equal to the amount of its commercial paper program. TEC cannot issue commercial paper in an aggregate amount exceeding the then available capacity under its credit facility.

### TEC Term Loan

On February 6, 2020, TEC entered into a 364-day, \$300 million credit agreement with a group of banks. On January 29, 2021, TEC extended the maturity date of the agreement to April 29, 2021. On March 23, 2021, this loan was repaid and terminated.

On December 17, 2021, TEC entered into a 364-day, \$500 million credit agreement with a group of banks. The credit agreement has a maturity date of December 16, 2022; contains customary representations and warranties, events of default, and financial and other covenants; and provides for interest to accrue at variable rates based on either the London interbank deposit rate, Wells Fargo Bank's prime rate, or the federal funds rate, plus a margin.

*Accounts Receivable Facility*

On July 14, 2020 and October 30, 2020, TEC amended its \$150 million accounts receivable collateralized borrowing facility (Loan Agreement) in order to change certain performance ratios. On March 22, 2021, this agreement matured and terminated.

*5-Year Credit Facility*

On December 18, 2020, TEC amended and restated its bank credit facility, entering into a Sixth Amended and Restated Credit Agreement. The amendment extended the maturity date of the credit facility from March 22, 2022 to March 22, 2023 (subject to further extension with the consent of each lender); increased the amount of the commitment by the lenders to \$800 million; and provided for an interest rate based on either the London interbank deposit rate, Wells Fargo Bank's prime rate, or the federal funds rate, plus a margin; allows TEC to borrow funds on a same-day basis under a swingline loan provision, which loans mature on the fourth banking day after which any such loans are made and bear interest at an interest rate as agreed by the borrower and the relevant swingline lender prior to the making of any such loans; continues to allow TEC to request the lenders to increase their commitments under the credit facility by up to \$100 million in the aggregate; and made other technical changes.

On December 17, 2021, TEC amended and restated its bank credit facility, entering into a Seventh Amended and Restated Credit Agreement. The amendment extended the maturity date of the credit facility from March 22, 2023 to December 17, 2026 (subject to further extension with the consent of each lender); and provided for an interest rate based on either the London interbank deposit rate, Wells Fargo Bank's prime rate, or the federal funds rate, plus a margin; allows TEC to borrow funds on a same-day basis under a swingline loan provision, which loans mature on the fourth banking day after which any such loans are made and bear interest at an interest rate as agreed by the borrower and the relevant swingline lender prior to the making of any such loans; continues to allow TEC to request the lenders to increase their commitments under the credit facility by up to \$100 million in the aggregate; and made other technical changes.

## 7. Long-Term Debt

A substantial part of Tampa Electric's tangible assets are pledged as collateral to secure its first mortgage bonds. There are currently no bonds outstanding under Tampa Electric's first mortgage bond indenture, and Tampa Electric could cause the lien associated with this indenture to be released at any time.

### *Tampa Electric Company 2.40% Notes due 2031 and 3.45% Notes due 2051*

On March 18, 2021, TEC completed a sale of (i) \$400 million aggregate principal amount of 2.40% Notes due March 15, 2031 (the 2031 Notes) and (ii) \$400 million aggregate principal amount of 3.45% Notes due March 15, 2051 (the 2051 Notes, and collectively, the Notes). Until December 15, 2030, in the case of the 2031 Notes, or September 15, 2050, in the case of the 2051 Notes, TEC may redeem all or any part of such series of Notes at its option at a redemption price equal to the greater of (i) 100% of the principal amount of such series of Notes to be redeemed or (ii) the sum of the present values of the remaining payments of principal and interest on the Notes to be redeemed that would be due if the Notes matured on (a) December 15, 2030, in the case of the 2031 Notes, discounted to the redemption date on a semiannual basis at the applicable treasury rate (as defined in the Indenture), plus 15 basis points, or (b) September 15, 2050, in the case of the 2051 Notes, discounted to the redemption date on a semiannual basis at the applicable treasury rate, plus 20 basis points; in either case, the redemption price would include accrued and unpaid interest to the redemption date. At any time on or after December 15, 2030, in the case of the 2031 Notes or September 15, 2050, in the case of the 2051 Notes, TEC may, at its option, redeem such series of the Notes, in whole or in part, at 100% of the principal amount of such series of the Notes being redeemed plus accrued and unpaid interest thereon to, but excluding, the date of redemption.

## 8. Commitments and Contingencies

### Legal Contingencies

From time to time, TEC and its subsidiaries are involved in various legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies in the ordinary course of business. Where appropriate, accruals are made in accordance with accounting standards for contingencies to provide for matters that are probable of resulting in an estimable loss.

### Superfund and Former Manufactured Gas Plant Sites

TEC, through its Tampa Electric and PGS divisions, is a PRP for certain superfund sites and, through its PGS division, for certain former MGP sites. While the joint and several liability associated with these sites presents the potential for significant response costs, as of December 31, 2021 and 2020, TEC has estimated its ultimate financial liability to be \$14 million and \$17 million, respectively, primarily at PGS. This amount has been accrued and is primarily reflected in the long-term liability section under "Deferred credits and other liabilities" on the Consolidated Balance Sheets. The environmental remediation costs associated with these sites are expected to be paid over many years.

The estimated amounts represent only the portion of the cleanup costs attributable to TEC. The estimates to perform the work are based on TEC's experience with similar work, adjusted for site-specific conditions and agreements with the respective governmental agencies. The estimates are made in current dollars, are not discounted and do not assume any insurance recoveries.

In instances where other PRPs are involved, most of those PRPs are creditworthy and are likely to continue to be creditworthy for the duration of the remediation work. However, in those instances that they are not, TEC could be liable for more than TEC's actual percentage of the remediation costs.

Factors that could impact these estimates include the ability of other PRPs to pay their pro-rata portion of the cleanup costs, additional testing and investigation which could expand the scope of the cleanup activities, additional liability that might arise from the cleanup activities themselves or changes in laws or regulations that could require additional remediation. Under current regulations, these costs are recoverable through customer rates established in subsequent base rate proceedings.

### Long-Term Commitments

TEC has commitments for various purchases as disclosed below, including payment obligations for capital projects, such as Tampa Electric's solar projects (see **Note 3**) and the modernization of the Big Bend power station, and contractual agreements for fuel, fuel transportation and power purchases that are recovered from customers under regulatory clauses. The following is a schedule

of future payments under minimum lease payments with non-cancelable lease terms in excess of one year and other net purchase obligations/commitments at December 31, 2021:

<i>(millions)</i>	<i>Purchased Power</i>	<i>Transportation<sup>(1)</sup></i>	<i>Capital Projects</i>	<i>Fuel and Gas Supply</i>	<i>Long-term Service Agreements</i>	<i>Operating Leases</i>	<i>Demand Side Management</i>	<i>Total</i>
<i>Year ended December 31:</i>								
2022	\$ 2	\$ 244	\$ 202	\$ 349	\$ 20	\$ 3	\$ 2	\$ 822
2023	0	224	63	27	42	3	1	360
2024	0	215	0	0	27	3	1	246
2025	0	200	0	0	19	2	0	221
2026	0	197	0	0	20	1	0	218
Thereafter	0	1,871	0	0	52	48	0	1,971
Total future minimum payments	\$ 2	\$ 2,951	\$ 265	\$ 376	\$ 180	\$ 60	\$ 4	\$ 3,838

(1) As of December 31, 2021, \$112 million is related to a gas transportation contract through 2040 between PGS and SeaCoast, a related party.

### Financial Covenants

TEC must meet certain financial tests, including a debt to capital ratio, as defined in the applicable debt agreements. TEC has certain restrictive covenants in specific agreements and debt instruments. At December 31, 2021 and 2020, TEC was in compliance with all required financial covenants.

## 9. Revenue

The following disaggregates TEC's revenue by major source:

(millions)	Tampa Electric	PGS	Eliminations	Tampa Electric Company
<i>For the year ended December 31, 2021</i>				
<b>Electric revenue</b>				
Residential	\$ 1,156	\$ 0	\$ 0	\$ 1,156
Commercial	602	0	0	602
Industrial	172	0	0	172
Regulatory deferrals and unbilled revenue	(8)	0	0	(8)
Other <sup>(1)</sup>	252	0	(4)	248
Total electric revenue	2,174	0	(4)	2,170
<b>Gas revenue</b>				
Residential	0	212	0	212
Commercial	0	191	0	191
Industrial <sup>(2)</sup>	0	25	0	25
Other <sup>(3)</sup>	0	100	(3)	97
Total gas revenue	0	528	(3)	525
<b>Total revenue</b>	<u>\$ 2,174</u>	<u>\$ 528</u>	<u>\$ (7)</u>	<u>\$ 2,695</u>
<i>For the year ended December 31, 2020</i>				
<b>Electric revenue</b>				
Residential	\$ 1,018	\$ 0	\$ 0	\$ 1,018
Commercial	506	0	0	506
Industrial	133	0	0	133
Regulatory deferrals and unbilled revenue	(25)	0	0	(25)
Other <sup>(1)</sup>	217	0	(4)	213
Total electric revenue	1,849	0	(4)	1,845
<b>Gas revenue</b>				
Residential	0	158	0	158
Commercial	0	135	0	135
Industrial <sup>(2)</sup>	0	23	0	23
Other <sup>(3)</sup>	0	117	(6)	111
Total gas revenue	0	433	(6)	427
<b>Total revenue</b>	<u>\$ 1,849</u>	<u>\$ 433</u>	<u>\$ (10)</u>	<u>\$ 2,272</u>
<i>For the year ended December 31, 2019</i>				
<b>Electric revenue</b>				
Residential	\$ 1,046	\$ 0	\$ 0	\$ 1,046
Commercial	562	0	0	562
Industrial	156	0	0	156
Regulatory deferrals and unbilled revenue	(49)	0	0	(49)
Other <sup>(1)</sup>	250	0	(4)	246
Total electric revenue	1,965	0	(4)	1,961
<b>Gas revenue</b>				
Residential	0	154	0	154
Commercial	0	146	0	146
Industrial <sup>(2)</sup>	0	21	0	21
Other <sup>(3)</sup>	0	140	(18)	122
Total gas revenue	0	461	(18)	443
<b>Total revenue</b>	<u>\$ 1,965</u>	<u>\$ 461</u>	<u>\$ (22)</u>	<u>\$ 2,404</u>

- (1) Other includes sales to public authorities, off-system sales to other utilities and various other items.  
(2) Industrial includes sales to power generation customers.  
(3) Other includes off-system sales to other utilities and various other items.

### Remaining Performance Obligations

Remaining performance obligations primarily represent lighting contracts and gas transportation contracts with fixed contract terms. As of December 31, 2021 and 2020, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately \$135 million. This amount includes \$112 million of future performance obligations related to a gas transportation contract between SeaCoast and PGS through 2040. As allowed under ASC 606, this amount excludes contracts with an original expected length of one year or less and variable amounts for which TEC recognizes revenue at the amount to which it has the right to invoice for services performed. TEC expects to recognize revenue for the remaining performance obligations through 2041.

### 10. Related Party Transactions

A summary of activities between TEC and its affiliates follows:

#### Net transactions with affiliates:

(millions)	2021	2020	2019
Natural gas sales to/(from) affiliates	\$ (236)	\$ (139)	\$ (111)
Services received from affiliates	7	6	65
Dividends to TECO Energy	450	408	373
Equity contributions from TECO Energy	580	505	395

In 2019, services received from affiliates primarily included shared services provided to TEC from TSI, TECO Energy's centralized services company subsidiary. In December 2019, most TSI employees were transferred to Tampa Electric. The transfer of these employees to Tampa Electric did not materially impact shared service costs or the TEC Consolidated Statement of Income. In 2021 and 2020, the shared service costs were not recorded through TSI but rather directly recorded in TEC's O&M expenses on the TEC Consolidated Statement of Income.

#### Amounts due from or to affiliates at December 31,

(millions)	2021	2020
Accounts receivable related to asset management agreements to Emera Energy Services Inc. <sup>(1)</sup>	\$ 4	\$ 4
Accounts receivable excluding asset management agreements <sup>(1)</sup>	4	7
Accounts payable <sup>(1)</sup>	35	27
Taxes payable <sup>(2)</sup>	9	19

(1) Accounts receivable and accounts payable were incurred in the ordinary course of business and do not bear interest.

(2) Taxes payable were due to EUSHI. See **Note 4** for additional information.

### 11. Segment Information

Segments are determined based on how management evaluates, measures and makes decisions with respect to the operations of the entity. Management reports segments based on each segment's contribution of revenues, net income and total assets as required by the accounting guidance for disclosures about segments of an enterprise and related information. All significant intercompany transactions are eliminated in the Consolidated Financial Statements of TEC but are included in determining reportable segments.

TEC is a public utility operating within the State of Florida and has two segments, Tampa Electric and PGS. Through its Tampa Electric division, it is engaged in the generation, purchase, transmission, distribution and sale of electric energy to approximately 810,600 customers in West Central Florida. Its PGS division is engaged in the purchase, distribution and marketing of natural gas for approximately 445,300 residential, commercial, industrial and electric power generation customers in the State of Florida.

(millions)	Tampa Electric	PGS	Eliminations	TEC
<b>2021</b>				
Revenues - external	\$ 2,170	\$ 525	\$ 0	\$ 2,695
Sales to affiliates	4	3	(7)	0
Total revenues	2,174	528	(7)	2,695
Depreciation and amortization	374	56	0	430
Total interest charges	110	20	0	130
Provision for income taxes	57	23	0	80
Net income	369	77	0	446
Total assets	10,650	2,209	(663) <sup>(1)</sup>	12,196
Capital expenditures	1,081	316	0	1,397
<b>2020</b>				
Revenues - external	\$ 1,845	\$ 427	\$ 0	\$ 2,272
Sales to affiliates	4	6	(10)	0
Total revenues	1,849	433	(10)	2,272
Depreciation and amortization	339	45	0	384
Total interest charges	113	17	0	130
Provision for income taxes	66	16	0	82
Net income	372	52	0	424
Total assets	9,800	1,901	(653) <sup>(1)</sup>	11,048
Capital expenditures	1,028	333	0	1,361
<b>2019</b>				
Revenues - external	\$ 1,961	\$ 443	\$ 0	\$ 2,404
Sales to affiliates	4	18	(22)	0
Total revenues	1,965	461	(22)	2,404
Depreciation and amortization	336	41	0	377
Total interest charges	117	17	0	134
Provision for income taxes	59	18	0	77
Net income	316	54	0	370
Total assets	9,007	1,593	(593) <sup>(1)</sup>	10,007
Capital expenditures	1,055	228	0	1,283

(1) Amounts relate to consolidated deferred tax reclassifications. Deferred tax assets are reclassified and netted with deferred tax liabilities upon consolidation.

## 12. Asset Retirement Obligations

TEC accounts for AROs at fair value at inception of the obligation if there is a legal obligation under applicable law, a written or oral contract, or by legal construction under the doctrine of promissory estoppel. Retirement obligations are recognized only if the legal obligation exists in connection with or as a result of the permanent retirement, abandonment or sale of a long-lived asset. When the liability is initially recorded in "Deferred credits and other liabilities" in the Consolidated Balance Sheets, the carrying amount of the related long-lived asset is correspondingly increased. Over time, the liability is accreted to its estimated future value. The corresponding amount capitalized at inception is depreciated over the remaining useful life of the asset. The ARO estimates are reviewed quarterly. Any updates are revalued based on current market prices.

### Reconciliation of beginning and ending carrying amount of asset retirement obligations:

(millions)	December 31,	
	2021	2020
Beginning balance	\$ 39	\$ 49
Additional liabilities	0	8
Liabilities settled <sup>(1)</sup>	(9)	(19)
Other	1	1
Ending balance	\$ 31	\$ 39



- (1) Tampa Electric produces ash and other by-products, collectively known as CCRs, at its Big Bend and Polk power stations. The decrease in the ARO in 2021 and 2020 is due to the closure of CCR management facilities.

### 13. Leases

TEC determines whether a contract contains a lease at inception by evaluating if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Operating lease ROU assets and operating lease liabilities are recognized on the Consolidated Balance Sheets based on the present value of the future minimum lease payments over the lease term at commencement date. As most of TEC's leases do not provide an implicit rate, the incremental borrowing rate at commencement of the lease is used in determining the present value of future lease payments. Lease expense is recognized on a straight-line basis over the lease term and is recorded as "Operations and maintenance expenses" on the Consolidated Statements of Income.

Where TEC is the lessor, a lease is a sales-type lease if certain criteria is met and the arrangement transfers control of the underlying asset to the lessee. For arrangements where the criteria are met due to the presence of a third-party residual value guarantee, the lease is a direct financing lease.

For direct finance leases, a net investment in the lease is recorded that consists of the sum of the minimum lease payments and residual value (net of estimated executory costs and unearned income). The difference between the gross investment and the cost of the leased item is recorded as unearned income at the inception of the lease. Unearned income is recognized in income over the life of the lease using a constant rate of interest equal to the internal rate of return on the lease.

TEC has certain contractual agreements that include lease and non-lease components, which management has elected to account for as a single lease component for all leases in which TEC is the lessee.

#### *Lessee*

TEC has operating leases for buildings, land, telecommunication services and rail cars. TEC's leases have remaining lease terms of 1 year to 64 years, some of which include options to extend the leases for up to an additional 65 years. These options are included as part of the lease term when it is considered reasonably certain that they will be exercised.

<i>(millions)</i>	<i>Classification</i>	<i>December 31, 2021</i>	<i>December 31, 2020</i>
Right-of-use asset	Other deferred debits	\$ 24	\$ 26
<b>Lease liabilities</b>			
Current	Other current liabilities	\$ 2	\$ 2
Long-term	Deferred credits and other liabilities	23	25
<b>Total lease liabilities</b>		<u>\$ 25</u>	<u>\$ 27</u>

TEC has recorded operating lease expense for the year ended December 31, 2021, 2020 and 2019 of \$5 million, \$4 million and \$4 million, respectively.

Future minimum lease payments under non-cancellable operating leases for each of the next five years and in aggregate thereafter consisted of the following at December 31, 2021:

<i>(millions)</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2026</i>	<i>Thereafter</i>	<i>Total</i>
<i>Year ended December 31:</i>							
Minimum lease payments	\$ 3	\$ 3	\$ 3	\$ 2	\$ 1	\$ 47	\$ 59
Less imputed interest							(34)
<b>Total future minimum payments</b>							<u>\$ 25</u>

Additional information related to TEC's leases is as follows:

<i>Year ended December 31,</i>	<i>2021</i>	<i>2020</i>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases (millions)	\$ 4	\$ 5
Weighted average remaining lease term (years)	44	43
Weighted average discount rate - operating leases	4.4%	4.3%

#### ***Lessor***

TEC leases CNG stations to other companies, which are classified as direct finance leases. The net investment in direct finance leases consists of the following:

<i>(millions)</i>	<i>December 31, 2021</i>	<i>December 31, 2020</i>
Total minimum lease payments to be received	\$ 29	\$ 31
Less amounts representing estimated executory costs	(11)	(12)
Minimum lease payments receivable	\$ 18	\$ 19
Less unearned finance lease income	(9)	(10)
Net investment in direct finance and sales-type leases	\$ 9	\$ 9
Principal due within one year (included in "Receivables")	(2)	(2)
Net investment in direct finance and sales-type leases - long-term (included in "Other deferred debits")	\$ 7	\$ 7

The unearned income related to these direct finance leases is recognized in income over the life of the lease using a constant rate of interest equal to the internal rate of return on the lease and is recorded as "Gas revenues" on the Consolidated Statements of Income. Customers have the option to purchase the assets related to the CNG stations at any time after year five of the agreements, which was in 2021, by paying a make-whole payment at the date of the purchase based on a targeted internal rate of return. This option was not exercised by any customer in 2021. Alternatively, the customer may take possession of the CNG station asset at the end of the lease term for no cost.

As of December 31, 2021, future minimum direct finance lease payments to be received for each of the next five years and in aggregate thereafter consisted of the following:

<i>(millions)</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2026</i>	<i>Thereafter</i>	<i>Total</i>
<i>Year ended December 31:</i>							
Minimum lease payments to be received	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 19	\$ 29
Less executory costs							(11)
Total minimum lease payments receivable							\$ 18

## **14. Fair Value Measurements**

### **Items Measured at Fair Value on a Recurring Basis**

Accounting guidance governing fair value measurements and disclosures provides that fair value represents the amount that would be received in selling an asset or the amount that would be paid in transferring a liability in an orderly transaction between market participants. As a basis for considering assumptions that market participants would use in pricing an asset or liability, accounting guidance also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs, such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

There were no Level 3 assets or liabilities for the periods presented.

As of December 31, 2021 and 2020, the fair value of TEC's short-term debt was not materially different from the carrying value due to the short-term nature of the instruments and because the stated rates approximate market rates. The fair value of TEC's short-term debt is determined using Level 2 measurements.

See **Note 5** and **Consolidated Statements of Capitalization** for information regarding the fair value of the pension plan investments and long-term debt, respectively.

## **15. Stock-Based Compensation**

### **Performance Share Unit Plan**

Emera has a performance share unit (PSU) plan. The PSU liability is marked-to-market at the end of each period based on an average common share price at the end of the period. Emera common shares are traded on the Toronto Stock Exchange under the symbol EMA.

Under the PSU plan, certain executive and senior employees are eligible for long-term incentives payable through the PSU plan. PSUs are granted annually for three-year overlapping performance cycles, resulting in a cash payment. PSUs are granted based on the average of Emera's stock closing price for the fifty trading days prior to the effective grant date. Dividend equivalents are awarded and are paid in the form of additional PSUs. The PSU value varies according to the Emera common share market price and corporate performance.

PSUs vest at the end of the three-year cycle and the payouts will be calculated and approved by the Emera Management Resources and Compensation Committee (MRCC) early in the following year. The value of the payout considers actual service over the performance cycle and may be pro-rated in certain departure scenarios.

A summary of the activity related to TEC employee PSUs is presented in the following table:

	Number of Units (Thousands)	Weighted Average Grant Date Fair Value (Per Unit)	Aggregate Intrinsic Value (Millions)
Outstanding as of December 31, 2020	390	46.87	21
Granted including DRIP	91	52.25	5
Exercised	(175)	48.12	10
Forfeited	(26)	47.82	1
Transferred	5	47.18	0
Outstanding as of December 31, 2021	<u>285</u>	47.74	18

Compensation cost recognized for the PSU plan for the years ended December 31, 2021, 2020 and 2019 was \$3 million, \$8 million and \$8 million, respectively. Tax benefits related to this compensation cost for share units realized for the years ended December 31, 2021, 2020 and 2019 were \$1 million, \$2 million and \$2 million, respectively. Cash payments made during the year ended December 31, 2021, 2020 and 2019 associated with the PSU plan were \$10 million, \$9 million and zero, respectively. As of December 31, 2021 and 2020, there was \$3 million and \$5 million, respectively, of unrecognized compensation cost related to non-vested PSUs that is expected to be recognized over a weighted-average period of two years.

## **16. Long-Term PPAs**

In 2019, Tampa Electric entered into a long-term PPA with a wholesale energy provider in Florida with up to 515 MW of available capacity, which expires in 2022. Because some of these provisions provide for the transfer or sharing of a number of risks inherent in the generation of energy, these agreements meet the definition of being variable interests. These risks include: operating and maintenance, regulatory, credit, commodity/fuel and energy market risk. Tampa Electric reviewed these risks and determined that the owners of these entities retain the majority of these risks over the expected life of the underlying generating assets, have the power to direct the most significant activities, and have the obligation or right to absorb losses or benefits. As a result, Tampa Electric was not the primary beneficiary and was not required to consolidate any of these entities. Tampa Electric purchased \$46 million, \$36 million and \$25 million under these long-term PPAs for the three years ended December 31, 2021, 2020 and 2019, respectively.

TEC does not provide any material financial or other support to any of the variable interests it is involved with, nor is TEC under any obligation to absorb losses associated with these variable interests. Excluding the payments for energy under these contracts, TEC's involvement with these variable interests does not affect its Consolidated Balance Sheets, Statements of Income or Cash Flows.

**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**Item 9A. CONTROLS AND PROCEDURES**

**Conclusions Regarding Effectiveness of Disclosure Controls and Procedures.**

TEC's management, with the participation of its principal executive officer and principal financial officer, has evaluated the effectiveness of TEC's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) as of the end of the period covered by this annual report, December 31, 2021 (Evaluation Date). Based on such evaluation, TEC's principal executive officer and principal financial officer have concluded that, as of the Evaluation Date, TEC's disclosure controls and procedures are effective.

**Management's Report on Internal Control over Financial Reporting.**

TEC's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended. We conducted an evaluation of the effectiveness of TEC's internal control over financial reporting as of December 31, 2021 based on the 2013 framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under this framework, our management concluded that TEC's internal control over financial reporting was effective as of December 31, 2021.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. A control system, no matter how well designed and operated, can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Changes in Internal Control over Financial Reporting.**

There was no change in TEC's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of TEC's internal controls that occurred during TEC's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, such controls.

**Item 9B. OTHER INFORMATION**

None.

### PART III

#### Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by Item 10 is omitted pursuant to General Instruction I(2) of Form 10-K.

#### Item 11. EXECUTIVE COMPENSATION

Information required by Item 11 is omitted pursuant to General Instruction I(2) of Form 10-K.

#### Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by Item 12 is omitted pursuant to General Instruction I(2) of Form 10-K.

#### Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by Item 13 is omitted pursuant to General Instruction I(2) of Form 10-K.

#### Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

##### *Fees Paid by TEC to the Independent Auditors*

The following table presents fees for professional audit services and other services rendered by Ernst & Young LLP for the audit of TEC's annual financial statements and other services for the years ended December 31, 2021 and 2020, respectively.

	2021	2020
Audit fees	\$ 503,300	\$ 403,300
Tax fees		
Tax planning fees	18,393	0
Total	<u>\$ 521,693</u>	<u>\$ 403,300</u>

Audit fees consist of fees for professional services performed for (i) the audit of TEC's annual financial statements (ii) the related reviews of the financial statements included in TEC's 10-Q filings (iii) services related to securities offerings (iv) services that are normally provided in connection with statutory and regulatory filings or engagements.

Tax fees consist of certain property tax planning fees.

##### *Audit Committee Pre-Approval Policy*

All services performed by the independent auditor are approved by the Audit Committee of the Emera Board of Directors in accordance with Emera's pre-approval policy for services provided by the independent auditor.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Certain Documents Filed as Part of this Form 10-K

1. Financial Statements

Tampa Electric Company Financial Statements

Reports of Independent Registered Public Accounting Firms (PCAOB ID: 42)

Consolidated Balance Sheets at December 31, 2021 and 2020

Consolidated Statements of Income and Comprehensive Income for the Years Ended December 31, 2021, 2020 and 2019

Consolidated Statements of Cash Flows for the Years Ended December 31, 2021, 2020 and 2019

Consolidated Statements of Capitalization for the Years Ended December 31, 2021, 2020 and 2019

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

Tampa Electric Company Schedule II - Valuation and Qualifying Accounts and Reserves

3. Exhibits

(b) The exhibits filed as part of this Form 10-K are listed on the List of Exhibits below.

(c) The financial statement schedules filed as part of this Form 10-K are listed in paragraph (a)(2) above, and follow immediately.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

TAMPA ELECTRIC COMPANY  
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES  
For the Years Ended December 31, 2021, 2020 and 2019  
(millions)

	Balance at Beginning of Period	Additions		Payments & Deductions <sup>(1)</sup>		Balance at End of Period
		Charged to Income	Other Charges			
<b>Allowance for Credit Losses:</b>						
2021	\$ 7	\$ 8	\$ 0	\$ 8	\$ 7	
2020	\$ 2	\$ 9	\$ 0	\$ 4	\$ 7	
2019	\$ 2	\$ 5	\$ 0	\$ 5	\$ 2	

(1) Write-off of individual bad debt accounts

## LIST OF EXHIBITS

Exhibit No.	Description	
3.1	Restated Articles of Incorporation of Tampa Electric Company, as amended on November 30, 1982 (Exhibit 3 to Registration Statement No. 2-70653 of Tampa Electric Company). (P)	*
3.2	<a href="#">Bylaws of Tampa Electric Company, as amended effective February 2, 2011 (Exhibit 3.4, Form 10-K for 2010 of Tampa Electric Company).</a>	*
4.1	<a href="#">Loan and Trust Agreement dated as of Jul. 2, 2007 among Hillsborough County Industrial Development Authority, Tampa Electric Company and The Bank of New York Trust Company, N.A., as trustee (including the form of Bond) (Exhibit 4.1, Form 8-K dated Jul. 25, 2007 of Tampa Electric Company).</a>	*
4.2	<a href="#">First Supplemental Loan and Trust Agreement dated as of March 26, 2008 among Hillsborough County Industrial Development Authority, Tampa Electric Company and The Bank of New York Trust Company, N.A., as trustee (Exhibit 4.1, Form 8-K dated March 26, 2008 of Tampa Electric Company).</a>	*
4.3	<a href="#">Loan and Trust Agreement dated as of November 15, 2010 among Tampa Electric Company, Polk County Industrial Development Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (including the form of bond) (Exhibit 4.1, Form 8-K dated November 23, 2010 of Tampa Electric Company).</a>	*
4.4	<a href="#">Loan and Trust Agreement among Hillsborough County Industrial Development Authority, Tampa Electric Company and The Bank of New York Trust Company, N.A., as trustee, dated as of January 5, 2006 (including the form of bond) (Exhibit 4.1, Form 8-K dated January 19, 2006 of Tampa Electric Company).</a>	*
4.5	<a href="#">Indenture between Tampa Electric Company and The Bank of New York, as trustee, dated as of Jul. 1, 1998 (Exhibit 4.1, Registration Statement No. 333-55873 of Tampa Electric Company).</a>	*
4.6	<a href="#">Third Supplemental Indenture between Tampa Electric Company and The Bank of New York, as trustee, dated as of Jun. 15, 2001 (Exhibit 4.2, Form 8-K dated Jun. 25, 2001 of Tampa Electric Company).</a>	*
4.7	<a href="#">Fifth Supplemental Indenture between Tampa Electric Company and The Bank of New York, as trustee, dated as of May 1, 2006 (Exhibit 4.16, Form 8-K dated May 12, 2006 of Tampa Electric Company).</a>	*
4.8	<a href="#">Sixth Supplemental Indenture dated as of May 1, 2007 between Tampa Electric Company and The Bank of New York, as trustee (Exhibit 4.18, Form 8-K dated May 25, 2007 of Tampa Electric Company).</a>	*
4.9	<a href="#">Seventh Supplemental Indenture dated as of May 1, 2008 between Tampa Electric Company and The Bank of New York, as trustee (Exhibit 4.20, Form 8-K dated May 16, 2008 of Tampa Electric Company).</a>	*
4.10	<a href="#">Eighth Supplemental Indenture dated as of November 15, 2010 between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee (including the form of 5.40% Notes due 2021) (Exhibit 4.1, Form 8-K dated December 9, 2010 of Tampa Electric Company).</a>	*
4.11	<a href="#">Ninth Supplemental Indenture dated as of May 31, 2012 between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing the Indenture dated as of July 1, 1998, as amended (including the form of 4.10% Notes due 2042) (Exhibit 4.23, Form 8-K dated June 5, 2012 for Tampa Electric Company).</a>	*
4.12	<a href="#">Tenth Supplemental Indenture dated as of September 19, 2012 between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing and amending the Indenture dated as of July 1, 1998, as amended (including the form of 2.60% Notes due 2022) (Exhibit 4.25, Form 8-K dated September 28, 2012 for Tampa Electric Company).</a>	*
4.13	<a href="#">Eleventh Supplemental Indenture dated as of May 12, 2014 between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing the Indenture dated as of July 1, 1998, as amended (including the form of 4.35% Notes due 2044) (Exhibit 4.27, Form 8-K dated May 15, 2014).</a>	*

- 4.14 [Twentieth Supplemental Indenture dated as of December 1, 2013 between Tampa Electric Company and US Bank, N.A., as successor trustee, amending and restating the Indenture of Mortgage among Tampa Electric Company, State Street Trust Company and First Savings & Trust Company of Tampa, dated as of August 1, 1946 \(Exhibit 4.30, Form 10-K for 2013 of Tampa Electric Company\).](#) \*
- 4.15 [Twelfth Supplemental Indenture dated as of May 20, 2015, between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing the Indenture dated as of July 1, 1998, as amended \(including the form of 4.20% Notes due 2045\) \(Exhibit 4.24, Form 8-K dated May 20, 2015 of Tampa Electric Company\).](#) \*
- 4.16 [Thirteenth Supplemental Indenture dated as of June 7, 2018, between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing the Indenture dated as of July 1, 1998, as amended \(Exhibit 4.9, Form 8-K dated June 7, 2018 of Tampa Electric Company\).](#) \*
- 4.17 [Fourteenth Supplemental Indenture dated as of October 4, 2018 between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing the Indenture dated as of July 1, 1998, as amended \(Exhibit 4.11, Form 8-K dated October 4, 2018 of Tampa Electric Company\).](#) \*
- 4.18 [Fifteenth Supplemental Indenture dated as of July 24, 2019, between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing the Indenture dated as of July 1, 1998, as amended \(Exhibit 4.13, Form 8-K dated July 24, 2019 of Tampa Electric Company\).](#) \*
- 4.19 [Sixteenth Supplemental Indenture dated as of March 18, 2021, between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing the Indenture dated as of July 1, 1998, as amended \(Exhibit 4.9, Form 8-K dated March 18, 2021 of Tampa Electric Company\).](#) \*
- 10.1 [TECO Energy Group Supplemental Executive Retirement Plan, as amended and restated as of November 1, 2007 \(Exhibit 10.1, Form 10-K for 2007 of Tampa Electric Company\).](#) \*
- 10.2 [TECO Energy Group Supplemental Disability Income Plan, dated as of March 20, 1989 \(Exhibit 10.22, Form 10-K for 1988 of TECO Energy, Inc.\). \(P\)](#) \*
- 10.3 [TECO Energy Group Supplemental Benefits Trust Agreement effective as of January 1, 2020 \(Exhibit 10.4, Form 10-K for 2019 of Tampa Electric Company\).](#) \*
- 10.4 [TECO Energy Group Benefit Restoration Plan dated as of November 13, 2015 \(Exhibit 10.4, Form 10-K for 2015 of Tampa Electric Company\).](#) \*
- 10.5 [Insurance Agreement dated as of January 5, 2006 between Tampa Electric Company and Ambac Assurance Corporation \(Exhibit 10.1, Form 8-K dated January 19, 2006 of Tampa Electric Company\).](#) \*
- 10.6 [Amended and Restated Purchase and Contribution Agreement dated as of March 24, 2015, between Tampa Electric Company, as the Originator, and TEC Receivables Corp., as the Purchaser \(Exhibit 10.1, Form 8-K dated March 24, 2015 of TECO Energy, Inc.\).](#) \*
- 10.7 [Loan and Servicing Agreement dated as of March 24, 2015, among TEC Receivables Corp., as Borrower, Tampa Electric Company, as Servicer, certain lenders named therein, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as Program Agent \(Exhibit 10.2, Form 8-K dated March 24, 2015 of TECO Energy, Inc.\).](#) \*
- 10.8 [Amendment No. 1 to Loan and Servicing Agreement dated as of August 10, 2016, among TEC Receivables Corp., as Borrower, Tampa Electric Company, as Servicer, certain lenders named therein, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as Program Agent \(Exhibit 10.1, Form 10-Q for the quarter ended September 30, 2016 of Tampa Electric Company\).](#) \*



- 10.9 [Amendment No. 2 dated as of March 23, 2018 to Loan and Servicing Agreement dated as of March 24, 2015, between Tampa Electric Company, as the Servicer, and TEC Receivables Corp., as the Borrower, certain lenders named therein, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Program Agent \(Exhibit 10.1, Form 8-K dated March 23, 2018 of Tampa Electric Company\).](#) \*
- 10.10 [Fifth Amended and Restated Credit Agreement dated as of March 22, 2017, among Tampa Electric Company, as Borrower, with Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders and LC Issuing Banks party thereto \(Exhibit 10.1, Form 8-K dated March 22, 2017 of Tampa Electric Company\).](#) \*
- 10.11 [Master Lenders' Amendment and Consent dated as of December 19, 2019 to the Fifth Amended and Restated Credit Agreement dated as of March 22, 2017, among Tampa Electric Company, as Borrower, with Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders and LC Issuing Banks party thereto \(Exhibit 10.12, Form 10-K for 2019 of Tampa Electric Company\).](#) \*
- 10.12 [Credit Agreement dated as of February 6, 2020, among Tampa Electric Company, as Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto \(Exhibit 10.1, Form 8-K dated February 6, 2020 of Tampa Electric Company\).](#) \*
- 10.13 [Amendment No. 4 dated as of July 14, 2020 to Loan and Servicing Agreement dated as of March 24, 2015, between Tampa Electric Company, as the Servicer, and TEC Receivables Corp., as the Borrower, certain lenders named therein, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Program Agent \(Exhibit 10.1, Form 10-Q for the quarter ended June 30, 2020 of Tampa Electric Company\).](#) \*
- 10.14 [Amendment No. 5 dated as of October 30, 2020 to Loan and Servicing Agreement dated as of March 24, 2015, between Tampa Electric Company, as the Servicer, and TEC Receivables Corp., as the Borrower, certain lenders named therein, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Program Agent \(Exhibit 10.1, Form 10-Q for the quarter ended September 30, 2020 of Tampa Electric Company\).](#) \*
- 10.15 [Amendment No. 1 dated January 29, 2021 to Credit Agreement dated as of February 6, 2020, among Tampa Electric Company, as Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto \(Exhibit 10.15, Form 10-K for 2020 of Tampa Electric Company\).](#) \*
- 10.16 [Sixth Amended and Restated Credit Agreement dated as of December 18, 2020, among Tampa Electric Company, as Borrower, with Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto \(Exhibit 10.1, Form 8-K dated December 18, 2020 of Tampa Electric Company\).](#) \*
- 10.17 [Seventh Amended and Restated Credit Agreement dated as of December 17, 2021, among Tampa Electric Company, as Borrower, with Wells Fargo Bank, National Association, as Administrative Agent, and the Credit Facility Lenders party thereto \(Exhibit 10.2, Form 8-K dated December 17, 2021 of Tampa Electric Company\).](#) \*
- 10.18 [Credit Agreement dated as of December 17, 2021, among Tampa Electric Company, as Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto \(Exhibit 10.1, Form 8-K dated December 17, 2021 of Tampa Electric Company\).](#) \*
- 23 [Consent of Independent Certified Public Accountants.](#)
- 31.1 [Certification of the Chief Executive Officer of Tampa Electric Company pursuant to Securities Exchange Act Rules 13a-14\(a\) and 15d-14\(a\) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of the Chief Financial Officer of Tampa Electric Company to Securities Exchange Act Rules 13a-14\(a\) and 15d-14\(a\) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

32 [Certification of the Chief Executive Officer and Chief Financial Officer of Tampa Electric Company pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#) <sup>(1)</sup>

99.1 [Stipulation and Settlement Agreement, dated as of August 6, 2021, by and among Tampa Electric Company, the Office of Public Counsel, the Florida Industrial Power Users Group, Federal Executive Agencies, the Florida Retail Federation, Walmart, Inc., and the West Central Florida Hospital Utility Alliance \(Exhibit 99.1, Form 10-Q for the quarter ended June 30, 2021 of Tampa Electric Company\).](#) \*

101.INS\*\* Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.

101.SCH\*\* Inline XBRL Taxonomy Extension Schema Document.

101.CAL\*\* Inline XBRL Taxonomy Extension Calculation Linkbase Document.

101.DEF\*\* Inline XBRL Taxonomy Extension Definition Linkbase Document.

101.LAB\*\* Inline XBRL Taxonomy Label Linkbase Document.

101.PRE\*\* Inline XBRL Taxonomy Presentation Linkbase Document.

104 The cover page from TEC's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 has been formatted in Inline XBRL.

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(1) This certification accompanies the Annual Report on Form 10-K and is not filed as part of it.

\* Indicates exhibit previously filed with the Securities and Exchange Commission and incorporated herein by reference. Exhibits filed with periodic reports of TECO Energy, Inc. and Tampa Electric Company were filed under Commission File Nos. 1-8180 and 1-5007, respectively.

Certain instruments defining the rights of holders of long-term debt of Tampa Electric Company authorizing in each case a total amount of securities not exceeding 10% of total assets on a consolidated basis are not filed herewith. Tampa Electric Company will furnish copies of such instruments to the Securities and Exchange Commission upon request.

#### **Executive Compensation Plans and Arrangements**

Exhibits 10.1 through 10.4, above are management contracts or compensatory plans or arrangements in which executive officers or directors of Tampa Electric Company participate.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TAMPA ELECTRIC COMPANY

Dated: February 14, 2022

By: /s/ Archie Collins  
Archie Collins  
President and Chief Executive Officer  
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on February 14, 2022:

<u>Signature</u>	<u>Title</u>
<u>/s/ Archie Collins</u> Archie Collins	President and Chief Executive Officer (Principal Executive Officer)
<u>/s/ Gregory W. Blunden</u> Gregory W. Blunden	Treasurer and Chief Financial Officer (Chief Accounting Officer) (Principal Financial and Accounting Officer)
<u>/s/ Scott Balfour</u> Scott Balfour	Chairman of the Board and Director
<u>/s/ Ana-Marie Codina Barlick</u> Ana-Marie Codina Barlick	Director
<u>/s/ Jacqueline Bradley</u> Jacqueline Bradley	Director
<u>/s/ Patrick J. Geraghty</u> Patrick J. Geraghty	Director
<u>/s/ Pamela D. Iorio</u> Pamela D. Iorio	Director
<u>/s/ Rhea F. Law</u> Rhea F. Law	Director
<u>/s/ Daniel Muldoon</u> Daniel Muldoon	Director
<u>/s/ Ralph Tedesco</u> Ralph Tedesco	Director
<u>/s/ Rasesh Thakkar</u> Rasesh Thakkar	Director
<u>/s/ Will Weatherford</u> Will Weatherford	Director

### Supplemental Information to Be Furnished With Reports Filed Pursuant to Section 15(d) of the Act by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Act

No annual report or proxy material has been sent to Tampa Electric Company's security holders because all of its equity securities are held by TECO Energy, Inc.

**Exhibit 23**

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statement (Form S-3 No.333-233336) of Tampa Electric Company and in the related Prospectus of our report dated February 14, 2022, with respect to the consolidated financial statements and financial statement schedule listed in the Index at Item 15(a) of Tampa Electric Company included in this Annual Report (Form 10-K) for the year ended December 31, 2021.

/s/ Ernst & Young LLP

Tampa, Florida  
February 14, 2022

Exhibit 31.1

**CERTIFICATIONS**

I, Archie Collins, certify that:

1. I have reviewed this annual report on Form 10-K of Tampa Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2022

/s/ ARCHIE COLLINS

ARCHIE COLLINS

President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATIONS**

I, Gregory W. Blunden, certify that:

1. I have reviewed this annual report on Form 10-K of Tampa Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2022

/s/ GREGORY W. BLUNDEN  
\_\_\_\_\_  
GREGORY W. BLUNDEN  
Treasurer and Chief Financial Officer  
(Chief Accounting Officer)  
(Principal Financial and Accounting Officer)

Exhibit 32

**TAMPA ELECTRIC COMPANY**

**Certification of Periodic Financial Report  
Pursuant to 18 U.S.C. Section 1350**

Each of the undersigned officers of Tampa Electric Company (the “Company”) certifies, under the standards set forth in and solely for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his or her knowledge, the Annual Report on Form 10-K of the Company for the year ended December 31, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 14, 2022

/s/ ARCHIE COLLINS

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ARCHIE COLLINS  
President and Chief Executive Officer  
(Principal Executive Officer)

Dated: February 14, 2022

/s/ GREGORY W. BLUNDEN

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GREGORY W. BLUNDEN  
Treasurer and Chief Financial Officer  
(Chief Accounting Officer)  
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-K and shall not be considered filed as part of the Form 10-K.

## **Exhibit C-2**



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission  
File No  
1-5007

Exact name of each registrant as specified in its charter, state of  
incorporation, address of principal executive offices, telephone number

I.R.S. Employer  
Identification Number  
59-0475140

TAMPA ELECTRIC COMPANY

(a Florida corporation)  
TECO Plaza  
702 N. Franklin Street  
Tampa, Florida 33602  
(813) 228-1111

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
None.		

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether Tampa Electric Company is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark whether Tampa Electric Company has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether Tampa Electric Company is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of August 8, 2022, there were 10 shares of Tampa Electric Company's common stock issued and outstanding, all of which were held, beneficially and of record, by TECO Energy, Inc.

Tampa Electric Company meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format specified in General Instruction H(2) of Form 10-Q.

## ACRONYMS

Acronyms used in this and other filings with the U.S. Securities and Exchange Commission in 2022 and 2021 include the following:

<u>Term</u>	<u>Meaning</u>
AFUDC	allowance for funds used during construction
AFUDC-debt	debt component of allowance for funds used during construction
AFUDC-equity	equity component of allowance for funds used during construction
APBO	accumulated postretirement benefit obligation
ARO	asset retirement obligation
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BCF	billion cubic feet
CCRs	coal combustion residuals
CMO	collateralized mortgage obligation
CNG	compressed natural gas
CO <sub>2</sub>	carbon dioxide
COVID-19	coronavirus disease 2019
CPI	consumer price index
CT	combustion turbine
D.C. Circuit Court	D.C. Circuit Court of Appeals
ECRC	environmental cost recovery clause
Emera	Emera Inc., a geographically diverse energy and services company headquartered in Nova Scotia, Canada and the indirect parent company of Tampa Electric Company
EPA	U.S. Environmental Protection Agency
ERISA	Employee Retirement Income Security Act
EROA	expected return on plan assets
EUSHI	Emera US Holdings Inc., a wholly owned subsidiary of Emera, which is the sole shareholder of TECO Energy's common stock
FASB	Financial Accounting Standards Board
FDEP	Florida Department of Environmental Protection
FERC	Federal Energy Regulatory Commission
FPSC	Florida Public Service Commission
GHG	greenhouse gas
IGCC	integrated gasification combined-cycle
IRS	Internal Revenue Service
ITCs	investment tax credits
kWac	kilowatt on an alternating current basis
LNG	liquefied natural gas
MBS	mortgage-backed securities
MD&A	the section of this report entitled Management's Discussion and Analysis of Financial Condition and Results of Operations
MGP	manufactured gas plant
MMBTU	one million British Thermal Units
MRV	market-related value
MW	megawatt(s)
MWH	megawatt-hour(s)
NAV	net asset value
Note	Note to consolidated financial statements
NPNS	normal purchase normal sale
O&M expenses	operations and maintenance expenses
OCI	other comprehensive income
OPC	Office of Public Counsel
OPEB	other postemployment benefits
Parent	TECO Energy, Inc., the direct parent company of Tampa Electric Company
PBGC	Pension Benefit Guarantee Corporation
PBO	projected benefit obligation
PGA	purchased gas adjustment
PGS	Peoples Gas System, the gas division of Tampa Electric Company

PPA	power purchase agreement
PRP	potentially responsible party
R&D	research and development
REIT	real estate investment trust
RFP	request for proposal
ROE	return on common equity
Regulatory ROE	return on common equity as determined for regulatory purposes
S&P	Standard and Poor's
SCR	selective catalytic reduction
SEC	U.S. Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SoBRAs	solar base rate adjustments
SPP	storm protection plan
STIF	short-term investment fund
Tampa Electric	Tampa Electric, the electric division of Tampa Electric Company
TEC	Tampa Electric Company
TECO Energy	TECO Energy, Inc., the direct parent company of Tampa Electric Company
TSI	TECO Services, Inc.
U.S. GAAP	generally accepted accounting principles in the United States

#### **CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION**

This Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by TEC include those factors discussed herein, including those factors discussed with respect to TEC in (1) TEC's 2021 Annual Report on Form 10-K in (a) Part I, Item 1A. Risk Factors, (b) Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part II, Item 8. Financial Statements: Note 8, Commitments and Contingencies; (2) this Quarterly Report on Form 10-Q in (a) Part 1, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (b) Part 1, Item 1. Financial Statements: Note 8, Commitments and Contingencies, and (3) other factors discussed in filings with the SEC by TEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Report. TEC does not undertake any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this Form 10-Q.

All references to "dollars" and "\$" in this and other filings with the U.S. Securities and Exchange Commission are references to U.S. dollars, unless specifically indicated otherwise.

**PART I. FINANCIAL INFORMATION**  
**Item 1. FINANCIAL STATEMENTS**

**TAMPA ELECTRIC COMPANY**  
**Consolidated Condensed Balance Sheets**  
**Unaudited**

<i>Assets</i> <i>(millions)</i>	<i>June 30,</i> <i>2022</i>	<i>December 31,</i> <i>2021</i>
<b>Property, plant and equipment</b>		
Utility plant		
Electric	\$ 11,940	\$ 11,563
Gas	2,779	2,626
Utility plant, at original costs	14,719	14,189
Accumulated depreciation	(3,741)	(3,601)
Utility plant, net	10,978	10,588
Other property	14	14
Total property, plant and equipment, net	10,992	10,602
<b>Current assets</b>		
Cash and cash equivalents	11	18
Receivables, less allowance for credit losses of \$5 and \$7 at June 30, 2022 and December 31, 2021, respectively	334	254
Due from affiliates	36	8
Inventories, at average cost		
Fuel	16	20
Materials and supplies	144	121
Regulatory assets	305	136
Prepayments and other current assets	25	22
Total current assets	871	579
<b>Deferred debits</b>		
Regulatory assets	843	866
Other	158	149
Total deferred debits	1,001	1,015
<b>Total assets</b>	<u>\$ 12,864</u>	<u>\$ 12,196</u>

The accompanying notes are an integral part of the consolidated condensed financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Condensed Balance Sheets - continued**  
**Unaudited**

<i>Liabilities and Capitalization</i> <i>(millions)</i>	<i>June 30,</i> <i>2022</i>	<i>December 31,</i> <i>2021</i>
<b>Capitalization</b>		
Common stock	\$ 4,750	\$ 4,470
Accumulated other comprehensive loss	(1)	(1)
Retained earnings	384	323
Total capital	5,133	4,792
Long-term debt	3,607	3,136
Total capitalization	8,740	7,928
<b>Current liabilities</b>		
Long-term debt due within one year	250	250
Notes payable	500	745
Accounts payable	356	390
Due to affiliates	37	44
Customer deposits	136	132
Regulatory liabilities	63	78
Accrued interest	20	18
Accrued taxes	67	19
Other	54	51
Total current liabilities	1,483	1,727
<b>Long-term liabilities</b>		
Deferred income taxes	885	858
Regulatory liabilities	1,121	1,092
Investment tax credits	298	249
Deferred credits and other liabilities	337	342
Total long-term liabilities	2,641	2,541
<b>Commitments and Contingencies</b> (see Note 8)		
<b>Total liabilities and capitalization</b>	<b>\$ 12,864</b>	<b>\$ 12,196</b>

The accompanying notes are an integral part of the consolidated condensed financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Condensed Statements of Income and Comprehensive Income**  
**Unaudited**

<i>(millions)</i>	<i>Three months ended June 30,</i>	
	<i>2022</i>	<i>2021</i>
<b>Revenues</b>		
Electric	\$ 662	\$ 531
Gas	159	123
Total revenues	821	654
<b>Expenses</b>		
Fuel	190	129
Purchased power	34	26
Cost of natural gas sold	65	33
Operations and maintenance	149	139
Depreciation and amortization	107	107
Taxes, other than income	66	56
Total expenses	611	490
<b>Income from operations</b>	210	164
<b>Other income</b>		
Allowance for equity funds used during construction	9	10
Other income, net	3	2
Total other income	12	12
<b>Interest charges</b>		
Interest expense	40	39
Allowance for borrowed funds used during construction	(2)	(5)
Total interest charges	38	34
<b>Income before provision for income taxes</b>	184	142
Provision for income taxes	39	21
<b>Net income</b>	\$ 145	\$ 121
<b>Comprehensive income</b>	\$ 145	\$ 121

The accompanying notes are an integral part of the consolidated condensed financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Condensed Statements of Income and Comprehensive Income**  
**Unaudited**

<i>(millions)</i>	<i>Six months ended June 30,</i>	<i>2022</i>	<i>2021</i>
<b>Revenues</b>			
Electric	\$	1,171	\$ 977
Gas		341	276
Total revenues		1,512	1,253
<b>Expenses</b>			
Fuel		318	238
Purchased power		41	44
Cost of natural gas sold		137	83
Operations and maintenance		296	267
Depreciation and amortization		212	213
Taxes, other than income		127	110
Total expenses		1,131	955
<b>Income from operations</b>		381	298
<b>Other income</b>			
Allowance for equity funds used during construction		17	20
Other income, net		6	3
Total other income		23	23
<b>Interest charges</b>			
Interest expense		78	77
Allowance for borrowed funds used during construction		(5)	(10)
Total interest charges		73	67
<b>Income before provision for income taxes</b>		331	254
Provision for income taxes		68	41
<b>Net income</b>	\$	263	\$ 213
<b>Comprehensive income</b>	\$	263	\$ 213

The accompanying notes are an integral part of the consolidated condensed financial statements.

**TAMPA ELECTRIC COMPANY**  
**Consolidated Condensed Statements of Cash Flows**  
**Unaudited**

<i>(millions)</i>	<i>Six months ended June 30,</i>	
	<i>2022</i>	<i>2021</i>
<b>Cash flows from operating activities</b>		
Net income	\$ 263	\$ 213
Adjustments to reconcile net income to cash from operating activities:		
Depreciation and amortization	212	213
Deferred income taxes and investment tax credits	64	27
Allowance for equity funds used during construction	(17)	(20)
Deferred recovery clauses	(145)	(10)
Receivables, less allowance for credit losses	(87)	(43)
Inventories	(19)	(2)
Prepayments and other deposits	(1)	(11)
Taxes accrued	18	20
Accounts payable	(7)	(45)
Regulatory assets and liabilities	12	(2)
Other	1	6
Cash flows from operating activities	<u>294</u>	<u>346</u>
<b>Cash flows used in investing activities</b>		
Capital expenditures	(607)	(588)
Net proceeds from sale of assets	3	0
Cash flows used in investing activities	<u>(604)</u>	<u>(588)</u>
<b>Cash flows from financing activities</b>		
Equity contributions from Parent	280	290
Proceeds from long-term debt issuance	0	790
Repayment of long-term debt	0	(278)
Net increase (decrease) in short-term debt (maturities of 90 days or less)	225	(65)
Repayment of other short-term debt (maturities over 90 days)	0	(300)
Dividends to Parent	(202)	(181)
Cash flows from financing activities	<u>303</u>	<u>256</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(7)</u>	<u>14</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>18</u>	<u>10</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 11</u>	<u>\$ 24</u>
<b>Supplemental disclosure of non-cash activities</b>		
Change in accrued capital expenditures	\$ (22)	\$ (20)
Reclassification of short-term debt from current to long-term	\$ 470	\$ 0

The accompanying notes are an integral part of the consolidated condensed financial statements.



**TAMPA ELECTRIC COMPANY**  
**Consolidated Condensed Statements of Capital**  
**Unaudited**

<i>(millions, except share amounts)</i>	Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Capital
<b><u>Three months ended June 30, 2022</u></b>					
Balance, March 31, 2022	10	4,645	\$ 356	\$ (1)	\$ 5,000
Net income			145		145
Equity contributions from Parent		105			105
Dividends to Parent			(117)		(117)
Balance, June 30, 2022	<u>10</u>	<u>\$ 4,750</u>	<u>\$ 384</u>	<u>\$ (1)</u>	<u>\$ 5,133</u>
<b><u>Three months ended June 30, 2021</u></b>					
Balance, March 31, 2021	10	4,045	\$ 331	\$ (1)	\$ 4,375
Net income			121		121
Equity contributions from Parent		135			135
Dividends to Parent			(93)		(93)
Balance, June 30, 2021	<u>10</u>	<u>\$ 4,180</u>	<u>\$ 359</u>	<u>\$ (1)</u>	<u>\$ 4,538</u>
<b><u>Six months ended June 30, 2022</u></b>					
Balance, December 31, 2021	10	4,470	\$ 323	\$ (1)	\$ 4,792
Net income			263		263
Equity contributions from Parent		280			280
Dividends to Parent			(202)		(202)
Balance, June 30, 2022	<u>10</u>	<u>\$ 4,750</u>	<u>\$ 384</u>	<u>\$ (1)</u>	<u>\$ 5,133</u>
<b><u>Six months ended June 30, 2021</u></b>					
Balance, December 31, 2020	10	3,890	\$ 327	\$ (1)	\$ 4,216
Net income			213		213
Equity contributions from Parent		290			290
Dividends to Parent			(181)		(181)
Balance, June 30, 2021	<u>10</u>	<u>\$ 4,180</u>	<u>\$ 359</u>	<u>\$ (1)</u>	<u>\$ 4,538</u>

The accompanying notes are an integral part of the consolidated condensed financial statements.

**TAMPA ELECTRIC COMPANY  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
UNAUDITED**

**1. Summary of Significant Accounting Policies**

See TEC's Annual Report on Form 10-K for the year ended December 31, 2021 for a complete discussion of accounting policies. The significant accounting policies for TEC include:

**Principles of Consolidation and Basis of Presentation**

TEC is a wholly owned subsidiary of TECO Energy, which is an indirect, wholly owned subsidiary of Emera. TEC is comprised of the electric division, referred to as Tampa Electric, and the natural gas division, referred to as PGS.

Intercompany balances and transactions within the divisions have been eliminated in consolidation. In the opinion of management, the unaudited consolidated condensed financial statements include all adjustments that are of a recurring nature and necessary to state fairly the financial position of TEC as of June 30, 2022 and December 31, 2021, and the results of operations and cash flows for the periods ended June 30, 2022 and 2021. The results of operations for the three and six months ended June 30, 2022 are not necessarily indicative of the results that can be expected for the entire fiscal year ending December 31, 2022.

The use of estimates is inherent in the preparation of financial statements in accordance with U.S. GAAP. Actual results could differ from these estimates. The year-end Consolidated Condensed Balance Sheet was derived from audited financial statements; however, this quarterly report on Form 10-Q does not include all year-end disclosures required for an annual report on Form 10-K by U.S. GAAP.

**Receivables and Allowance for Credit Losses**

Receivables from contracts with customers, which consist of services to residential, commercial, industrial and other customers, were \$333 million and \$252 million as of June 30, 2022 and December 31, 2021, respectively. An allowance for credit losses is established based on TEC's collection experience and reasonable and supportable forecasts that affect the collectibility of the reported amount. Circumstances that could affect Tampa Electric's and PGS's estimates of credit losses include, but are not limited to, customer credit issues, generating fuel prices, customer deposits and general economic conditions. Accounts are reserved in the allowance or written off once they are deemed to be uncollectible.

As of June 30, 2022 and December 31, 2021, unbilled revenues of \$95 million and \$74 million, respectively, are included in the "Receivables" line item on the Consolidated Condensed Balance Sheets.

**Accounting for Franchise Fees and Gross Receipts**

Tampa Electric and PGS are allowed to recover certain costs from customers on a dollar-for-dollar basis through rates approved by the FPSC. The amounts included in customers' bills for franchise fees and gross receipt taxes are included as revenues on the Consolidated Condensed Statements of Income. Franchise fees and gross receipt taxes payable by Tampa Electric and PGS are included as an expense on the Consolidated Condensed Statements of Income in "Taxes, other than income". These amounts totaled \$37 million and \$31 million for the three months ended June 30, 2022 and 2021, respectively, and totaled \$69 million and \$60 million for the six months ended June 30, 2022 and 2021, respectively.

**2. New Accounting Pronouncements**

TEC considers the applicability and impact of all ASUs issued by the FASB. The ASUs that have been issued, but that are not yet effective, were assessed and determined to be either not applicable to TEC or have an insignificant impact on the consolidated condensed financial statements.

**3. Regulatory**

**Tampa Electric Base Rates**

On August 6, 2021, Tampa Electric filed with the FPSC a joint motion for approval of a settlement agreement dated as of August 6, 2021 (the Settlement Agreement) by and among Tampa Electric and the intervenors in Tampa Electric's rate case filed with the FPSC in April 2021. The Settlement Agreement agrees to an increase in base rates annually effective with January 2022 bills, to generate a \$191 million increase in revenue consisting of \$123 million of traditional base rate charges and \$68 million in a new charge to recover the costs of retiring assets. The Settlement Agreement further includes two subsequent year adjustments of \$90 million and \$21 million, effective January 2023 and January 2024, respectively. Under the agreement, the allowed equity in the capital structure

will continue to be 54% from investor sources of capital. The Settlement Agreement includes an allowed regulatory ROE range of 9.0% to 11.0% with a 9.95% midpoint. The Settlement Agreement allows a 25 basis point increase in the allowed ROE range and midpoint, and \$10 million of additional revenue, if the average 30-year United States Treasury Bond yield rate for any period of six consecutive months is at least 50 basis points greater than the yield rate on the date the FPSC votes to approve the agreement. Under the agreement, base rates will not change from January 1, 2022 through December 31, 2024, unless Tampa Electric's earned ROE were to fall below the bottom of the range during that time. The Settlement Agreement contains a provision whereby Tampa Electric agrees to quantify the future impact of a decrease or increase in corporate income tax rates on net operating income through a reduction or increase in base revenues within 180 days of when such tax change becomes law or its effective date. The Settlement Agreement further creates a mechanism to recover the costs of retiring coal generation units and meter assets over a period of 15 years which survives the term of that agreement. The Settlement Agreement sets new depreciation and dismantlement rates effective January 1, 2022 and contains the provisions that Tampa Electric will not have to file another depreciation study during the term of the agreement but will file a new depreciation study no more than one year, nor less than 90 days, before the filing of its next general base rate proceeding. Additionally, Tampa Electric agreed to a financial hedging moratorium for natural gas ending on December 31, 2024. On October 21, 2021, the FPSC approved the Settlement Agreement and the final order, reflecting such approval, was issued on November 10, 2021.

Tampa Electric's Settlement Agreement provides recovery for the Big Bend modernization project in two phases. The first phase is a revenue increase to cover the costs of the assets in service during 2022, among other items. The remainder of the project costs will be recovered as part of the 2023 subsequent year adjustment. The Settlement Agreement also includes a new charge to recover the remaining costs of the retiring Big Bend coal generation assets, Units 1 through 3, which will be spread over 15 years and will survive the term of the Settlement Agreement. The special capital recovery schedule for all three units was applied beginning January 1, 2022.

#### **Tampa Electric ROE Adjustment**

Tampa Electric's 2021 settlement agreement provision allows Tampa Electric to request a revenue and ROE increase due to increases in the 30-year U.S. Treasury bond yield rate. On July 1, 2022, Tampa Electric requested to adjust its base rates to collect an additional \$10 million annually (prorated in the first year) and increase its mid-point ROE and upper and lower allowed ranges. If approved, the new mid-point ROE will be 10.20%, and the range will be 9.25% to 11.25% effective July 1, 2022. The FPSC is expected to issue a decision in August 2022.

#### **Tampa Electric Mid-Course Adjustment to Fuel Recovery**

In January 2022, Tampa Electric requested a mid-course adjustment to its fuel and capacity charges to recover an additional \$169 million beginning April 1, 2022 through December 2022 due to an increase in fuel commodity and capacity costs. On March 1, 2022, the FPSC voted to approve the mid-course adjustment, and the order reflecting such approval was issued on March 18, 2022.

#### **Tampa Electric Storm Protection Cost Recovery Clause and Settlement Agreement**

On October 3, 2019, the FPSC issued a rule to implement a Storm Protection Plan (SPP) Cost Recovery Clause. This clause provides a process for Florida investor-owned utilities, including Tampa Electric, to recover transmission and distribution storm hardening costs for incremental activities not already included in base rates. A settlement agreement was approved on August 10, 2020 and Tampa Electric's cost recovery began in January 2021. The current approved plan addresses the years 2020, 2021 and 2022, and in April 2022 Tampa Electric submitted a new plan to determine cost recovery in 2023, 2024, and 2025.

#### **PGS Base Rates**

On June 8, 2020, PGS filed a petition for an increase in rates and service charges effective January 2021. On November 19, 2020, the FPSC approved a settlement agreement filed by PGS and OPC. The settlement agreement provides for an increase in base rates by \$58 million annually effective January 2021, which is a \$34 million increase in revenue and \$24 million increase of revenues previously recovered through the cast iron and bare steel replacement rider. This settlement agreement includes an allowed regulatory ROE range of 8.90% to 11.00% with a 9.90% midpoint, including the ability to reverse a total of \$34 million of accumulated depreciation through 2023. During the three and six months ended June 30, 2022, PGS reversed \$5 million and \$10 million, respectively, of the \$34 million accumulated depreciation. No amounts were reversed prior to 2022. In addition, the agreement set new depreciation rates effective January 1, 2021 that are consistent with PGS's current overall average depreciation rate. Under the agreement, base rates are frozen from January 1, 2021 to December 31, 2023, unless its earned ROE were to fall below 8.90% before that time with an allowed equity in the capital structure of 54.7% from investor sources of capital.

## PGS Mid-Course Adjustment to Fuel Recovery

In May 2022, PGS filed a request with the FPSC for a mid-course correction to its 2022 purchased gas adjustment (PGA) factor cap. The request was initiated due to an increase in the price of natural gas. The PGA factor serves as a cap on the rate charged to customers and may be adjusted monthly. On July 7, 2022, the FPSC voted to approve the mid-course adjustment. Effective August 1, 2022, the PGA cap will change from \$1.19163 per therm to \$1.70492 per therm. Since the PGA is an approved range, the impact will depend on fluctuations in natural gas pricing and customer usage. At June 30, 2022, PGS was not in an under recovery position.

## Regulatory Assets and Liabilities

Details of the regulatory assets and liabilities are presented in the following table:

<u>Regulatory Assets and Liabilities</u> <i>(millions)</i>	<u>June 30, 2022</u>	<u>December 31, 2021</u>
<b>Regulatory assets:</b>		
Regulatory tax asset <sup>(1)</sup>	\$ 129	\$ 117
Cost-recovery clauses <sup>(2)</sup>	243	89
Capital cost recovery for early retired assets <sup>(3)</sup>	508	518
Environmental remediation <sup>(4)</sup>	22	22
Postretirement benefits <sup>(5)</sup>	219	230
Asset retirement obligation <sup>(6)</sup>	12	11
Other	15	15
Total regulatory assets	1,148	1,002
Less: Current portion	305	136
Long-term regulatory assets	<u>\$ 843</u>	<u>\$ 866</u>
<b>Regulatory liabilities:</b>		
Regulatory tax liability <sup>(7)</sup>	\$ 638	\$ 638
Cost-recovery clauses - deferred balances <sup>(2)</sup>	26	16
Accumulated reserve - cost of removal <sup>(8)</sup>	472	468
Storm reserve <sup>(9)</sup>	46	46
Other	2	2
Total regulatory liabilities	1,184	1,170
Less: Current portion	63	78
Long-term regulatory liabilities	<u>\$ 1,121</u>	<u>\$ 1,092</u>

- (1) The regulatory tax asset is primarily associated with the depreciation and recovery of AFUDC-equity. This asset does not earn a return but rather is included in the capital structure, which is used in the calculation of the weighted cost of capital used to determine revenue requirements. It will be recovered over the expected life of the related assets. The regulatory tax asset balance reflects the impact of the federal corporate income tax rate reduction.
- (2) These assets and liabilities are related to FPSC clauses and riders. They are recovered or refunded through cost-recovery mechanisms approved by the FPSC on a dollar-for-dollar basis in a subsequent period.
- (3) This regulatory asset is related to the remaining net book value of Big Bend Units 1 through 3 and smart meter assets that were retired. The balance earns a rate of return as permitted by the FPSC and will be recovered as a separate line item on customer bills for a period of 15 years. See "Tampa Electric Base Rates" above for further information.
- (4) This asset is related to costs associated with environmental remediation primarily at MGP sites. The balance is included in rate base, partially offsetting the related liability, and earns a rate of return as permitted by the FPSC. The timing of recovery is based on a settlement agreement approved by the FPSC.
- (5) This asset is related to the deferred costs of postretirement benefits and it is amortized over the remaining service life of plan participants. Deferred costs of postretirement benefits that are included in expense are recognized as cost of service for rate-making purposes as permitted by the FPSC.
- (6) This asset is related to costs associated with an asset retirement obligation, which is a legal obligation for the future retirement of certain tangible, long-lived assets. This regulatory asset does not earn a return because it is offset with related assets and

liabilities within rate base. It is recovered and removed as the obligation is settled and removed as the activities for the retirement of the related assets have been completed.

- (7) The regulatory tax liability is primarily related to the revaluation of TEC's deferred income tax balances recorded on December 31, 2017 at the lower corporate income tax rate due to U.S. tax reform. The liability related to the revaluation of the deferred income tax balances is amortized and returned to customers through rate reductions or other revenue offsets based on IRS regulations and the settlement agreement for tax reform benefits approved by the FPSC.
- (8) This item represents the non-ARO cost of removal in the accumulated reserve for depreciation. AROs are costs for legally required removal of property, plant and equipment. Non-ARO cost of removal represents estimated funds received from customers through depreciation rates to cover future non-legally required cost of removal of property, plant and equipment, net of salvage value upon retirement, which reduces rate base for ratemaking purposes. This liability is reduced as costs of removal are incurred.
- (9) As a result of Tampa Electric's 2013 rate case settlement, in the event of a named storm that results in damage to its system, Tampa Electric can petition the FPSC to seek recovery of those costs over a 12-month period or longer as determined by the FPSC, as well as replenish its reserve to \$56 million, the level of the reserve as of October 31, 2013. This provision was also included in Tampa Electric's subsequent 2017 amended and restated settlement agreement and in Tampa Electric's 2021 rate case settlement agreement. In 2021, 2020 and 2019, Tampa Electric incurred total storm restoration preparation costs for multiple hurricanes of approximately \$10 million, which was charged to the storm reserve regulatory liability.

#### **4. Income Taxes**

##### **Income Tax Expense**

TEC is included in a consolidated U.S. federal income tax return with EUSHI and its subsidiaries. TEC's income tax expense is based upon a separate return method, modified for the benefits-for-loss allocation in accordance with respective tax sharing agreements with TECO Energy and EUSHI. To the extent that TEC's cash tax positions are settled differently than the amount reported as realized under the tax sharing agreement, the difference is reflected in common stock.

TEC's effective tax rates for the six months ended June 30, 2022 and 2021 were 20.5% and 16.1%, respectively. The June 30, 2022 and 2021 effective tax rates are an estimate of the annual effective income tax rate. TEC's effective tax rate for the six months ended June 30, 2022 and 2021 differed from the statutory rate principally due to the amortization of the regulatory tax liability resulting from tax reform. The effective tax rate for the six months ended June 30, 2022 is higher compared to the same period in 2021 primarily due to lower tax benefit from the amortization of the regulatory tax liability and lower amortization of investment tax credits. See **Note 3** for further information regarding the regulatory tax liability.

##### **Unrecognized Tax Benefits**

As of June 30, 2022 and December 31, 2021, the amount of unrecognized tax benefits was \$7 million and \$6 million, respectively, all of which was recorded as a reduction of deferred income tax assets for tax credit carryforwards. TEC had \$7 million and \$6 million of unrecognized tax benefits at June 30, 2022 and December 31, 2021, respectively, that, if recognized, would reduce TEC's effective tax rate.

## 5. Employee Postretirement Benefits

TEC is a participant in the comprehensive retirement plans of TECO Energy. The following table presents detail related to TECO Energy's periodic benefit cost for pension and other postretirement benefits. Amounts disclosed for TECO Energy's pension benefits include the amounts related to its qualified pension plan and non-qualified, non-contributory SERP and Restoration Plan.

### **TECO Energy Benefit Cost**

(millions)

Three months ended June 30,

	Pension Benefits		Other Postretirement Benefits	
	2022	2021	2022	2021
<b>Components of net periodic benefit cost</b>				
Service cost	\$ 5	\$ 6	\$ 1	\$ 1
Interest cost	6	6	2	2
Expected return on assets	(13)	(13)	0	0
Amortization of:				
Actuarial loss (gain)	5	5	(1)	(1)
Settlement cost	1	0	0	0
Net periodic benefit cost	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 2</u>	<u>\$ 2</u>

Six months ended June 30,

<b>Components of net periodic benefit cost</b>				
Service cost	\$ 9	\$ 11	\$ 1	\$ 1
Interest cost	12	11	3	3
Expected return on assets	(26)	(26)	0	0
Amortization of:				
Actuarial loss (gain)	9	11	0	0
Settlement cost	1	0	0	0
Net periodic benefit cost	<u>\$ 5</u>	<u>\$ 7</u>	<u>\$ 4</u>	<u>\$ 4</u>

TEC's portion of the net periodic benefit cost for the three months ended June 30, 2022 and 2021, respectively, was \$3 million and \$2 million for pension benefits, and \$3 million and \$3 million for other postretirement benefits. TEC's portion of the net periodic benefit cost for the six months ended June 30, 2022 and 2021, respectively, was \$4 million and \$5 million for pension benefits, and \$5 million and \$5 million for other postretirement benefits. TEC's portion of net periodic benefit costs for pension and other benefits is included as an expense on the Consolidated Condensed Statements of Income in "Operations & maintenance".

TECO Energy assumed a long-term EROA of 6.50% and a discount rate of 2.78% for pension benefits under its qualified pension plan for 2022. For TECO Energy's other postretirement benefits, TECO Energy used a discount rate of 2.84% for 2022.

TECO Energy made contributions of \$9 million and \$11 million to its qualified pension plan in the six months ended June 30, 2022 and 2021, respectively. TEC's portion of these contributions was \$8 million and \$9 million, respectively. TECO Energy expects to make contributions to the pension plan of \$10 million for the remainder of 2022. TEC estimates its portion of the remaining 2022 contribution to be \$7 million.

Included in the benefit cost discussed above, for the three and six months ended June 30, 2022, \$5 million and \$9 million, respectively, of unamortized prior service benefits and costs and actuarial gains and losses were reclassified by TEC from regulatory assets to the Consolidated Condensed Statement of Income, compared with \$5 million and \$11 million for the three and six months ended June 30, 2021, respectively.

## 6. Short-Term Debt

Details of TEC's short-term borrowings are presented in the following table:

(millions)	June 30, 2022				December 31, 2021			
	Credit Facilities	Borrowings Outstanding - Credit Facilities <sup>(1)</sup>	Borrowings Outstanding - Commercial Paper	Letters of Credit Outstanding	Credit Facilities	Borrowings Outstanding - Credit Facilities <sup>(1)</sup>	Borrowings Outstanding - Commercial Paper <sup>(1)</sup>	Letters of Credit Outstanding
5-year facility <sup>(2)</sup>	\$ 800	\$ 0	<sup>(3)</sup> \$ 470	\$ 1	\$ 800	\$ 0	\$ 245	\$ 1
1-year term facility <sup>(4)</sup>	500	500	0	0	500	500	0	0
<b>Total</b>	<u>\$ 1,300</u>	<u>\$ 500</u>	<u>\$ 470</u>	<u>\$ 1</u>	<u>\$ 1,300</u>	<u>\$ 500</u>	<u>\$ 245</u>	<u>\$ 1</u>

- (1) Borrowings outstanding are reported as notes payable.
- (2) This 5-year facility matures on December 17, 2026. TEC also has an active commercial paper program for up to \$800 million, of which the full amount outstanding is backed by TEC's credit facility. The amount of commercial paper issued results in an equal amount of its credit facility being considered drawn and unavailable.
- (3) On July 12, 2022, TEC issued long-term debt and a portion of the proceeds were used to repay TEC's \$470 million commercial paper balance. Therefore, the \$470 million commercial paper balance was classified as a long-term debt on TEC's consolidated balance sheet as of June 30, 2022.
- (4) On December 17, 2021, TEC entered into a 1-year term facility that matures on December 16, 2022.

At June 30, 2022, these credit facilities required a commitment fee of 12.5 basis points. The weighted-average interest rate on borrowings outstanding under the credit facilities and commercial paper at June 30, 2022 and December 31, 2021 was 2.11% and 0.58%, respectively.

## 7. Long-Term Debt

### Fair Value of Long-Term Debt

At June 30, 2022, TEC's long-term debt, including the current portion, had a carrying amount of \$3,857 million and an estimated fair market value of \$3,605 million. At December 31, 2021, TEC's total long-term debt, including the current portion, had a carrying amount of \$3,386 million and an estimated fair market value of \$4,036 million. The fair value of the debt securities is determined using Level 2 measurements (see **Note 11** for information regarding the fair value hierarchy).

### TEC 3.875% Notes due 2024 and 5.00% Notes due 2052

On July 12, 2022, TEC completed a sale of (i) \$300 million aggregate principal amount of 3.875% Notes due July 12, 2024 (the 2024 Notes) and (ii) \$300 million aggregate principal amount of 5.00% Notes due July 15, 2052 (the 2052 Notes, and collectively, the Notes). Until July 12, 2024, in the case of the 2024 Notes, or January 15, 2052, in the case of the 2052 Notes, TEC may redeem all or any part of such series of Notes at its option at a redemption price equal to the greater of (i) 100% of the principal amount of such series of Notes to be redeemed or (ii) the sum of the present values of the remaining payments of principal and interest on the Notes to be redeemed that would be due if the Notes matured on (a) July 12, 2024, in the case of the 2024 Notes, discounted to the redemption date on a semiannual basis at the applicable treasury rate (as defined in the Indenture), plus 15 basis points, or (b) January 15, 2052, in the case of the 2052 Notes, discounted to the redemption date on a semiannual basis at the applicable treasury rate, plus 30 basis points; in either case, the redemption price would include accrued and unpaid interest to the redemption date. At any time on or after January 15, 2052, in the case of the 2052 Notes, TEC may, at its option, redeem such series of the Notes, in whole or in part, at 100% of the principal amount of such series of the Notes being redeemed plus accrued and unpaid interest thereon to, but excluding, the date of redemption. The proceeds were used for general corporate purposes and to repay TEC's \$470 million commercial paper outstanding at June 30, 2022. Therefore, the \$470 million commercial paper balance was classified as long-term debt on TEC's consolidated balance sheet as of June 30, 2022.

## 8. Commitments and Contingencies

### Legal Contingencies

From time to time, TEC and its subsidiaries are involved in various legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies in the ordinary course of business. Where appropriate, accruals are made in accordance with accounting standards for contingencies to provide for matters that are probable of resulting in an estimable loss.

### Superfund and Former Manufactured Gas Plant Sites

TEC, through its Tampa Electric and PGS divisions, is a PRP for certain superfund sites and, through its PGS division, for certain former MGP sites. While the joint and several liability associated with these sites presents the potential for significant response costs, as of June 30, 2022 and December 31, 2021, TEC has estimated its ultimate financial liability to be \$14 million, primarily at PGS. This amount has been accrued and is primarily reflected in the long-term liability section under “Deferred credits and other liabilities” on the Consolidated Condensed Balance Sheets. The environmental remediation costs associated with these sites are expected to be paid over many years.

The estimated amounts represent only the portion of the cleanup costs attributable to TEC. The estimates to perform the work are based on TEC’s experience with similar work, adjusted for site-specific conditions and agreements with the respective governmental agencies. The estimates are made in current dollars, are not discounted and do not assume any insurance recoveries.

In instances where other PRPs are involved, most of those PRPs are creditworthy and are likely to continue to be creditworthy for the duration of the remediation work. However, in those instances that they are not, TEC could be liable for more than TEC’s currently assessed percentage of the remediation costs.

Factors that could impact these estimates include the ability of other PRPs to pay their pro-rata portion of the cleanup costs, additional testing and investigation which could expand the scope of the cleanup activities, additional liability that might arise from the cleanup activities themselves or changes in laws or regulations that could require additional remediation. Under current regulations, these costs are recoverable through customer rates established in subsequent base rate proceedings. See **Note 3** for information regarding the related regulatory asset.

### Long-Term Commitments

TEC has commitments for various purchases as disclosed below, including payment obligations under contractual agreements for fuel, fuel transportation and power purchases that are recovered from customers under regulatory clauses. The following is a schedule of future payments under PPAs, minimum lease payments with non-cancelable lease terms in excess of one year, and other net purchase obligations/commitments at June 30, 2022:

(millions)	Purchased		Capital	Fuel and Gas Supply	Long-term Service Agreements	Operating Leases	Demand Side Management	Total
	Power	Transportation	Projects					
2022	\$ 33	\$ 119	\$ 241	\$ 287	\$ 24	\$ 1	\$ 3	\$ 708
2023	0	235	153	44	30	3	1	466
2024	0	231	63	0	28	3	1	326
2025	0	218	1	0	20	2	1	242
2026	0	214	0	0	21	1	0	236
Thereafter	0	1,876	0	0	52	48	0	1,976
Total future minimum payments	\$ 33	\$ 2,893	\$ 458	\$ 331	\$ 175	\$ 58	\$ 6	\$ 3,954

### Debt Covenants

TEC must meet certain financial tests, including a debt to capital ratio, as defined in the applicable debt agreements and has certain restrictive covenants in specific agreements and debt instruments. At June 30, 2022, TEC was in compliance with all required covenants.



## 9. Segment Information

<i>(millions)</i>	Tampa Electric	PGS	Eliminations	Tampa Electric Company
<i>Three months ended June 30,</i>				
<b>2022</b>				
Revenues - external	\$ 662	\$ 159	\$ 0	\$ 821
Intracompany sales	1	1	(2)	0
Total revenues	663	160	(2)	821
Total interest charges	32	6	0	38
Net income	\$ 126	\$ 19	\$ 0	\$ 145
<b>2021</b>				
Revenues - external	\$ 531	\$ 123	\$ 0	\$ 654
Intracompany sales	1	0	(1)	0
Total revenues	532	123	(1)	654
Total interest charges	29	5	0	34
Net income	\$ 102	\$ 19	\$ 0	\$ 121
<i>Six months ended June 30,</i>				
<b>2022</b>				
Revenues - external	\$ 1,171	\$ 341	\$ 0	\$ 1,512
Intracompany sales	2	2	(4)	0
Total revenues	1,173	343	(4)	1,512
Total interest charges	62	11	0	73
Net income	\$ 214	\$ 49	\$ 0	\$ 263
<b>2021</b>				
Revenues - external	\$ 977	\$ 276	\$ 0	\$ 1,253
Intracompany sales	2	2	(4)	0
Total revenues	979	278	(4)	1,253
Total interest charges	57	10	0	67
Net income	\$ 167	\$ 46	\$ 0	\$ 213
<b>Total assets at June 30, 2022</b>	<b>\$ 11,234</b>	<b>\$ 2,336</b>	<b>\$ (706) <sup>(1)</sup></b>	<b>\$ 12,864</b>
<b>Total assets at December 31, 2021</b>	<b>\$ 10,650</b>	<b>\$ 2,209</b>	<b>\$ (663) <sup>(1)</sup></b>	<b>\$ 12,196</b>

(1) Amounts primarily relate to consolidated deferred tax reclassifications. Deferred tax assets are reclassified and netted with deferred tax liabilities upon consolidation.

## 10. Revenue

The following disaggregates TEC's revenue by major source:

<i>(millions)</i>	Tampa Electric	PGS	Eliminations	Tampa Electric Company
<i>Three months ended June 30, 2022</i>				
<b>Electric revenue</b>				
Residential	\$ 348	\$ 0	\$ 0	\$ 348
Commercial	170	0	0	170
Industrial	47	0	0	47
Regulatory deferrals and unbilled revenue	16	0	0	16
Other <sup>(1)</sup>	82	0	(1)	81
Total electric revenue	663	0	(1)	662
<b>Gas revenue</b>				
Residential	0	50	0	50
Commercial	0	49	0	49
Industrial <sup>(2)</sup>	0	8	0	8
Other <sup>(3)</sup>	0	53	(1)	52
Total gas revenue	0	160	(1)	159
<b>Total revenue</b>	<u>\$ 663</u>	<u>\$ 160</u>	<u>\$ (2)</u>	<u>\$ 821</u>
<i>Three months ended June 30, 2021</i>				
<b>Electric revenue</b>				
Residential	\$ 276	\$ 0	\$ 0	\$ 276
Commercial	144	0	0	144
Industrial	41	0	0	41
Regulatory deferrals and unbilled revenue	11	0	0	11
Other <sup>(1)</sup>	60	0	(1)	59
Total electric revenue	532	0	(1)	531
<b>Gas revenue</b>				
Residential	0	49	0	49
Commercial	0	46	0	46
Industrial <sup>(2)</sup>	0	6	0	6
Other <sup>(3)</sup>	0	22	0	22
Total gas revenue	0	123	0	123
<b>Total revenue</b>	<u>\$ 532</u>	<u>\$ 123</u>	<u>\$ (1)</u>	<u>\$ 654</u>

(millions)				
<u>Six months ended June 30, 2022</u>	Tampa Electric	PGS	Eliminations	Tampa Electric Company
<b>Electric revenue</b>				
Residential	\$ 618	\$ 0	\$ 0	\$ 618
Commercial	307	0	0	307
Industrial	84	0	0	84
Regulatory deferrals and unbilled revenue	19	0	0	19
Other <sup>(1)</sup>	145	0	(2)	143
Total electric revenue	1,173	0	(2)	1,171
<b>Gas revenue</b>				
Residential	0	125	0	125
Commercial	0	105	0	105
Industrial <sup>(2)</sup>	0	15	0	15
Other <sup>(3)</sup>	0	98	(2)	96
Total gas revenue	0	343	(2)	341
<b>Total revenue</b>	<u>\$ 1,173</u>	<u>\$ 343</u>	<u>\$ (4)</u>	<u>\$ 1,512</u>
<u>Six months ended June 30, 2021</u>				
<b>Electric revenue</b>				
Residential	\$ 508	\$ 0	\$ 0	\$ 508
Commercial	270	0	0	270
Industrial	78	0	0	78
Regulatory deferrals and unbilled revenue	9	0	0	9
Other <sup>(1)</sup>	114	0	(2)	112
Total electric revenue	979	0	(2)	977
<b>Gas revenue</b>				
Residential	0	116	0	116
Commercial	0	99	0	99
Industrial <sup>(2)</sup>	0	12	0	12
Other <sup>(3)</sup>	0	51	(2)	49
Total gas revenue	0	278	(2)	276
<b>Total revenue</b>	<u>\$ 979</u>	<u>\$ 278</u>	<u>\$ (4)</u>	<u>\$ 1,253</u>

(1) Other electric revenue includes sales to public authorities, off-system sales to other utilities and various other items.

(2) Industrial gas revenue includes sales to power generation customers.

(3) Other gas revenue includes off-system sales to other utilities and various other items.

#### *Remaining Performance Obligations*

Remaining performance obligations primarily represent lighting contracts and gas transportation contracts with fixed contract terms. As of June 30, 2022 and December 31, 2021, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately \$130 million and \$135 million, respectively. As allowed under ASC 606, these amounts exclude contracts with an original expected length of one year or less and variable amounts for which TEC recognizes revenue at the amount to which it has the right to invoice for services performed. TEC expects to recognize revenue for the remaining performance obligations through 2041.

## 11. Fair Value Measurements

### Items Measured at Fair Value on a Recurring Basis

Accounting guidance governing fair value measurements and disclosures provides that fair value represents the amount that would be received in selling an asset or the amount that would be paid in transferring a liability in an orderly transaction between market participants. As a basis for considering assumptions that market participants would use in pricing an asset or liability,

accounting guidance also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs, such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

There were no Level 3 assets or liabilities for the periods presented.

As of June 30, 2022 and December 31, 2021, the carrying value of TEC's short-term debt was not materially different from the fair value due to the short-term nature of the instruments and because the stated rates approximate market rates. The fair value of TEC's short-term debt is determined using Level 2 measurements. See **Note 7** for information regarding the fair value of long-term debt.

## 12. Subsequent Events

On July 12, 2022, TEC completed a sale of (i) \$300 million aggregate principal amount of 3.875% Notes due July 12, 2024 (the 2024 Notes) and (ii) \$300 million aggregate principal amount of 5.00% Notes due July 15, 2052 (the 2052 Notes, and collectively, the Notes). See **Note 7** for additional information.

**Item 2. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS**

**Earnings Summary - Unaudited**

(millions)		Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
<b>Revenues</b>					
	Tampa Electric	\$ 663	\$ 532	\$ 1,173	\$ 979
	PGS	160	123	343	278
	Eliminations	(2)	(1)	(4)	(4)
	TEC	\$ 821	\$ 654	\$ 1,512	\$ 1,253
<b>Net income</b>					
	Tampa Electric	\$ 126	\$ 102	\$ 214	\$ 167
	PGS	19	19	49	46
	TEC	\$ 145	\$ 121	\$ 263	\$ 213

**Operating Results**

Second quarter 2022 net income was \$145 million, compared to \$121 million in the second quarter of 2021. Second quarter 2022 results were impacted by higher revenues at Tampa Electric and PGS, partially offset by higher depreciation and amortization expenses and lower AFUDC at Tampa Electric and higher O&M expense at PGS. Year-to-date 2022 net income was \$263 million, compared to \$213 million in the 2021 year-to-date period. Year-to-date 2022 results were impacted by higher revenues at Tampa Electric and PGS, partially offset by higher depreciation and amortization and O&M expenses and lower AFUDC at Tampa Electric and higher O&M expense at PGS. See **Operating Company Results** below for further detail.

**Operating Company Results**

Amounts included in the operating company discussions below are pre-tax, except net income and income taxes.

**Electric Division**

Tampa Electric's net income for the second quarter of 2022 was \$126 million, compared with \$102 million for the same period in 2021. Results primarily reflected higher revenues resulting from the 2021 rate case settlement agreement, favorable weather and revenues related to capital cost recovery for early retired assets, partially offset by higher depreciation expense and lower AFUDC.

Revenues were \$131 million higher than in the same quarter in 2021 primarily driven by higher fuel recovery clause revenue of \$52 million as a result of higher fuel costs, revenues related to capital cost recovery for early retired assets of \$17 million and increased base revenues of \$43 million. Base revenues, which are energy sales excluding revenues from clauses, capital cost recovery for early retired assets, gross receipts taxes and franchise fees, increased primarily due to new base rates as a result of the 2021 rate case settlement agreement, favorable weather and customer growth. Total degree days (a measure of heating and cooling demand) in Tampa Electric's service area in the second quarter of 2022 were 17% above normal (a 20-year statistical degree day average) and 10% above the 2021 period, reflecting favorable weather in the second quarter of 2022 compared to 2021. Total net energy for load, which is a calendar measurement of energy output, in the second quarter of 2022 was 4% higher than the same period in 2021.

O&M expense, excluding all FPSC-approved cost-recovery clauses, was consistent with the same quarter in 2021. Depreciation and amortization expense, excluding all FPSC-approved cost-recovery clauses, increased \$7 million in the second quarter of 2022 compared to the same period in 2021, primarily due to additions to facilities and the in-service of generation projects.

Tampa Electric's net income year-to-date 2022 was \$214 million, compared with \$167 million for the same period in 2021. Results primarily reflected higher revenues resulting from the 2021 rate case settlement agreement, favorable weather and revenues related to capital cost recovery for early retired assets, partially offset by higher depreciation expense, lower AFUDC and higher O&M expense.

Revenues were \$194 million higher than year-to-date 2021 primarily driven by higher base revenues of \$86 million, higher fuel recovery clause revenue of \$50 million as a result of increased fuel costs and revenues related to capital cost recovery for early retired assets of \$32 million. Base revenue increased due to new base rates as a result of the 2021 rate case settlement agreement, favorable weather and customer growth. Total degree days (a measure of heating and cooling demand) in Tampa Electric's service area year-to-date 2022 were 16% above normal (a 20-year statistical degree day average) and 11% above the 2021 period, reflecting favorable weather year-to-date in 2022 compared to 2021. Total net energy for load, which is a calendar measurement of energy output, year-to-date 2022 was 4% higher than year-to-date 2021.

O&M expense, excluding all FPSC-approved cost-recovery clauses, was \$6 million higher than year-to-date 2021 primarily due to higher transmission and distribution, insurance and benefit costs. Depreciation and amortization expense, excluding all FPSC-approved cost-recovery clauses, increased \$14 million year-to-date 2022 primarily due to additions to facilities and the in-service of generation projects.

Tampa Electric's regulated operating statistics for the three and six months ended June 30, 2022 and 2021 were as follows:

<i>(millions, except customers and total degree days)</i>		<i>Operating Revenues</i>			<i>Kilowatt-Hours Billed</i>		
<b>Three months ended June 30,</b>		<b>2022</b>	<b>2021</b>	<b>% Change</b>	<b>2022</b>	<b>2021</b>	<b>% Change</b>
<b>By Customer Type</b>							
Residential <sup>(1)</sup>	\$	348	\$ 276	26	2,513	2,472	2
Commercial <sup>(1)</sup>		170	144	18	1,575	1,525	3
Industrial <sup>(1)</sup>		47	41	15	550	541	2
Other <sup>(1)</sup>		55	47	17	482	478	1
Regulatory deferrals and unbilled revenue <sup>(2)</sup>		16	11	45			
Total retail sales of electricity		636	519	23	5,120	5,016	2
Off system sales of electricity		15	1	1,400	150	16	838
Other operating revenue		12	12	0			
Total revenues	\$	663	\$ 532	25	5,270	5,032	5
Retail net energy for load (kilowatt hours)		5,751	5,516	4			
Total degree days		1,474	1,345	10			

<i>(millions, except customers and total degree days)</i>		<i>Operating Revenues</i>			<i>Kilowatt-Hours Billed</i>		
<b>Six months ended June 30,</b>		<b>2022</b>	<b>2021</b>	<b>% Change</b>	<b>2022</b>	<b>2021</b>	<b>% Change</b>
<b>By Customer Type</b>							
Residential <sup>(1)</sup>	\$	618	\$ 508	22	4,595	4,525	2
Commercial <sup>(1)</sup>		307	270	14	2,950	2,850	4
Industrial <sup>(1)</sup>		84	78	8	1,034	1,015	2
Other <sup>(1)</sup>		102	90	13	930	912	2
Regulatory deferrals and unbilled revenue <sup>(2)</sup>		19	9	111			
Total retail sales of electricity		1,130	955	18	9,509	9,302	2
Off system sales of electricity		19	1	1,800	234	27	767
Other operating revenue		24	23	4			
Total revenues	\$	1,173	\$ 979	20	9,743	9,329	4
Customers at June 30, (thousands)		820	802	2			
Retail net energy for load (kilowatt-hours)		10,326	9,952	4			
Total degree days		2,162	1,953	11			

(1) Reflects a billing cycle measurement.

(2) Primarily reflects unbilled revenue, which incorporates a calendar measurement, and postings for clause recovery deferrals.

### **Natural Gas Division**

PGS had net income of \$19 million for both the second quarter of 2022 and the second quarter of 2021. Revenues were \$37 million higher than in the second quarter of 2021 primarily due to higher off-system sales and higher PGA clause-related revenues. The base revenue increase of \$2 million was primarily due to customer growth (4.6% higher number of customers in the second quarter of 2022 compared to the second quarter of 2021). Operations and maintenance expense, excluding all FPSC-approved cost-recovery clauses, was \$4 million higher than the 2021 quarter primarily due to higher labor, benefits and contractor costs to operate, maintain and expand the distribution system. Depreciation and amortization decreased \$3 million in the second quarter of 2022 due to the \$5 million reversal of accumulated depreciation, partially offset by increases due to asset growth. The PGS rate case settlement, which was approved in November 2020, provides the ability to reverse a total of \$34 million of accumulated depreciation through 2023 (see **Note 3** to the **TEC Consolidated Financial Statements** for further information).

PGS had net income of \$49 million for the 2022 year-to-date period, compared with \$46 million in the 2021 period. Revenues were \$65 million higher than in the prior period primarily due to higher off-system sales and higher PGA clause-related revenues. The base revenue increase of \$4 million was primarily due to customer growth. Operations and maintenance expense, excluding all FPSC-

approved cost-recovery clauses, was \$5 million higher than in 2021 primarily due to the same quarterly drivers mentioned above. Depreciation and amortization decreased \$6 million in the 2022 period due to the \$10 million reversal of accumulated depreciation as provided for in PGS's 2020 settlement agreement, partially offset by increases due to asset growth. Return on investment in the cast iron and bare steel replacement rider was \$2 million higher in the 2022 period.

PGS's regulated operating statistics for the three and six months ended June 30, 2022 and 2021 were as follows:

<i>(millions, except customers)</i>	<i>Operating Revenues</i>			<i>Therms</i>		
<i>Three months ended June 30,</i>	<i>2022</i>	<i>2021</i>	<i>% Change</i>	<i>2022</i>	<i>2021</i>	<i>% Change</i>
<b>By Customer Type</b>						
Residential	\$ 50	\$ 49	2	20	21	(5)
Commercial	49	46	7	130	126	3
Industrial	5	5	0	107	117	(9)
Power generation	3	1	200	216	200	8
Off system sales	31	4	675	34	10	240
Other operating revenues	20	15	33			
Total	\$ 158	\$ 120	32	507	474	7
<b>By Sales Type</b>						
System supply	\$ 98	\$ 66	48	64	39	64
Transportation	40	39	3	443	435	2
Other operating revenues	20	15	33			
Total	\$ 158	\$ 120	32	507	474	7

<i>(millions, except customers)</i>		<i>Operating Revenues</i>			<i>Therms</i>		
<i>Six months ended June 30,</i>		<i>2022</i>	<i>2021</i>	<i>% Change</i>	<i>2022</i>	<i>2021</i>	<i>% Change</i>
<b>By Customer Type</b>							
Residential	\$	125	\$ 116	8	59	59	0
Commercial		105	99	6	277	266	4
Industrial		10	9	11	227	229	(1)
Power generation		5	3	67	405	418	(3)
Off system sales		46	10	360	59	25	136
Other operating revenues		46	34	35			
Total	\$	337	\$ 271	24	1,027	997	3
<b>By Sales Type</b>							
System supply	\$	206	\$ 154	34	137	101	36
Transportation		85	83	2	890	896	(1)
Other operating revenues		46	34	35			
Total	\$	337	\$ 271	24	1,027	997	3
Customers at June 30, (thousands)		456	436	5			

#### Other Income

For the second quarter of 2022 and 2021, TEC's other income was \$12 million and \$12 million, respectively, and included AFUDC-equity of \$9 million and \$10 million, respectively. For the year-to-date periods in 2022 and 2021, TEC's other income was \$23 million and \$23 million, respectively, and included AFUDC-equity of \$17 million and \$20 million, respectively. The decrease in AFUDC-equity was primarily due to the timing of Tampa Electric's modernization of its Big Bend Power Station and the construction of solar projects.

#### Income Taxes

The provisions for income taxes were \$39 million and \$21 million for the three months ended June 30, 2022 and 2021, respectively, and \$68 million and \$41 million for the six months ended June 30, 2022 and 2021, respectively. Compared to the 2021 periods, the increase in the provision for income taxes for the six months and three months ended June 30, 2022 was primarily the result of higher pre-tax income.

## Liquidity and Capital Resources

The table below sets forth the June 30, 2022 liquidity, cash balances and amounts available under the TEC credit facilities.

<i>(millions)</i>			
Credit facilities	\$	1,300	
Drawn amounts/letters of credit		(971)	(1)
Available credit facilities		329	
Cash and short-term investments		11	
Total liquidity	\$	340	

(1) On July 12, 2022, TEC issued long-term debt and a portion of the proceeds were used to repay TEC's \$470 million commercial paper balance. Therefore, the \$470 million commercial paper balance was classified as a long-term debt on TEC's consolidated balance sheet as of June 30, 2022. See **Note 7** to the **TEC Consolidated Financial Statements** for further information.

## Cash Impacts Related to Operating Activities

Cash flows from operating activities for the six months ended June 30, 2022 were \$294 million, a decrease of \$52 million compared to the same period in 2021. Decreases to cash from operations were primarily the result of higher fuel under-recoveries due to rising natural gas prices and higher materials and supplies inventory, partially offset by higher base revenues resulting from new base rates as a result of the 2021 rate case agreement and favorable weather and the timing of non-clause invoice payments.

## Cash Impacts Related to Financing Activities

Cash flows from financing activities for the six months ended June 30, 2022 resulted in net cash inflows of \$303 million. TEC received \$280 million of equity contributions from Parent and \$225 million of net proceeds from short-term debt with maturities with 90 days or less. These increases in cash flows were partially offset by dividend payments to Parent of \$202 million. See **Note 7** to the **TEC Consolidated Financial Statements** for information regarding TEC's long-term debt issuance in July 2022.

## Covenants in Financing Agreements

In order to utilize its bank credit facilities, TEC must meet certain financial tests as defined in the applicable agreements. In addition, TEC has certain restrictive covenants in specific agreements and debt instruments. At June 30, 2022, TEC was in compliance with all applicable financial covenants. The following table contains the significant financial covenant and the performance relative to it at June 30, 2022.

### Significant Financial Covenants

Instrument <sup>(1)</sup>	Financial Covenant <sup>(2)</sup>	Requirement/Restriction	Calculation at June 30, 2022
Credit facility - \$800 million	Debt/capital	Cannot exceed 65%	45.9%
Term facility- \$500 million	Debt/capital	Cannot exceed 65%	45.9%

(1) See **Note 6** to the **TEC Consolidated Condensed Financial Statements** for details of the credit facility.

(2) As defined in the instrument.

## Credit Ratings of Senior Unsecured Debt at June 30, 2022

	S&P	Moody's	Fitch
Credit ratings of senior unsecured debt	BBB+	A3	A
Credit ratings outlook	Stable	Stable	Stable

Certain of TEC's derivative instruments contain provisions that require TEC's debt to maintain investment grade credit ratings.



### **Commitments and Contingencies**

See **Note 8** to the **TEC Consolidated Condensed Financial Statements** for information regarding TEC's commitments and contingencies as of June 30, 2022.

### **Regulatory Matters**

See **Note 3** to the **TEC Consolidated Condensed Financial Statements** for information regarding TEC's regulatory matters as of June 30, 2022.

### **Fair Value Measurements**

TEC's fair value measurements are described in **Notes 7 and 11** to the **TEC Consolidated Condensed Financial Statements**. In addition, TEC considered the impact of nonperformance risk in determining the fair value of derivatives. TEC considered the net position with each counterparty, past performance of both parties and the intent of the parties, indications of credit deterioration and whether the markets in which TEC transacts have experienced dislocation. At June 30, 2022, the fair value of derivatives was not materially affected by nonperformance risk.

### **Critical Accounting Policies and Estimates**

Critical accounting policies and estimates have not materially changed in 2022. For further discussion of critical accounting policies and estimates, see **TEC's Annual Report on Form 10-K** for the year ended December 31, 2021.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Information required by Item 3 is omitted pursuant to General Instruction H(2) of Form 10-Q.

### **Item 4. CONTROLS AND PROCEDURES**

- (a) **Evaluation of Disclosure Controls and Procedures.** TEC's management, with the participation of its principal executive officer and principal financial officer, has evaluated the effectiveness of TEC's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2022. Based on such evaluation, TEC's principal financial officer and principal executive officer have concluded that, as of June 30, 2022, TEC's disclosure controls and procedures are effective.
- (b) **Changes in Internal Controls.** There was no change in TEC's internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of TEC's internal control over financial reporting that occurred during TEC's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, such controls.

## PART II. OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

From time to time, TEC is involved in various legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies in the ordinary course of business. Where appropriate, accruals are made in accordance with accounting standards for contingencies to provide for matters that are probable of resulting in an estimable loss. For a discussion of legal proceedings and environmental matters, see **Note 8** of the **TEC Consolidated Condensed Financial Statements**.

### Item 6. EXHIBITS

Exhibit No.	Description	
3.1	Restated Articles of Incorporation of Tampa Electric Company, as amended on November 30, 1982 (Exhibit 3 to Registration Statement No. 2-70653 of Tampa Electric Company). (P)	*
3.2	<a href="#">Bylaws of Tampa Electric Company, as amended effective February 2, 2011 (Exhibit 3.4, Form 10-K for 2010 of Tampa Electric Company).</a>	*
4.1	<a href="#">Seventeenth Supplemental Indenture dated as of March 18, 2021, between Tampa Electric Company, as issuer, and The Bank of New York Mellon, as trustee, supplementing the Indenture dated as of July 1, 1998, as amended (Exhibit 4.12, Form 8-K dated July 12, 2022 of Tampa Electric Company).</a>	*
31.1	<a href="#">Certification of the Chief Executive Officer of Tampa Electric Company pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	
31.2	<a href="#">Certification of the Chief Financial Officer of Tampa Electric Company pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	
32	<a href="#">Certification of the Chief Executive Officer and Chief Financial Officer of Tampa Electric Company pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a> <sup>(1)</sup>	
101.INS**	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.	
101.SCH**	Inline XBRL Taxonomy Extension Schema Document.	
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document.	
101.LAB**	Inline XBRL Taxonomy Label Linkbase Document.	
101.PRE**	Inline XBRL Taxonomy Presentation Linkbase Document.	
104	The cover page from TEC's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 has been formatted in Inline XBRL.	

(1) This certification accompanies the Quarterly Report on Form 10-Q and is not filed as part of it.

\* Indicates exhibit previously filed with the Securities and Exchange Commission and incorporated herein by reference. Exhibits filed with periodic reports of TECO Energy, Inc. and TEC were filed under Commission File Nos. 1-8180 and 1-5007, respectively.

\*\* The XBRL related information in Exhibit 101 to this quarterly report on Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TAMPA ELECTRIC COMPANY  
(Registrant)

Date: August 10, 2022

By: /s/ Gregory W. Blunden

Gregory W. Blunden  
Treasurer and Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATIONS**

I, Archie Collins, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tampa Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2022

/s/ ARCHIE COLLINS

ARCHIE COLLINS

President and Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATIONS**

I, Gregory W. Blunden, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tampa Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2022

/s/ GREGORY W. BLUNDEN  
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GREGORY W. BLUNDEN  
Treasurer and Chief Financial Officer  
(Principal Financial and Accounting Officer)

**TAMPA ELECTRIC COMPANY**

**Certification of Periodic Financial Report  
Pursuant to 18 U.S.C. Section 1350**

Each of the undersigned officers of Tampa Electric Company (the “Company”) certifies, under the standards set forth in and solely for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his or her knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2022

/s/ ARCHIE COLLINS

ARCHIE COLLINS

President and Chief Executive Officer

(Principal Executive Officer)

Date: August 10, 2022

/s/ GREGORY W. BLUNDEN

GREGORY W. BLUNDEN

Treasurer and Chief Financial Officer

(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-Q and shall not be considered filed as part of the Form 10-Q.

## **Exhibit D**

## EXHIBIT D

**PEOPLES GAS SYSTEM DIVISION  
PROJECTED STATEMENT OF SOURCES AND USES OF FUNDS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023  
(MILLIONS)**

Cash Flows from Operating Activities:	
Depreciation	\$ 60
Deferred Taxes	25
Other	<u>1</u>
	86
Cash Flows from Investing Activities:	
Capital Expenditures, excluding AFUDC	(333)
Cash Flows from Financing Activities:	
Changes in Financing	<u>247</u>
Total Cash Flows, excluding Net Income	\$ <u><u>0</u></u>

**PEOPLES GAS SYSTEM DIVISION  
PROJECTED CONSTRUCTION BUDGET  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023  
(MILLIONS)**

Revenue Producing	\$ 245
Maintenance	65
Cast Iron Bare Steel / Problematic Plastic Pipe	<u>23</u>
Total Projected Construction Budget, excluding AFUDC	\$ <u><u>333</u></u>