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April 9, 2021

ELECTRONIC FILING

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

Re: Docket 20210034-EI, Petition for Rate Increase by Tampa Electric Company

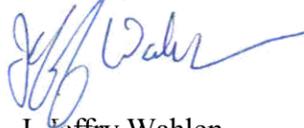
Dear Mr. Teitzman:

Attached for filing on behalf of Tampa Electric Company in the above-referenced docket is the Direct Testimony and Exhibit of Marian C. Cacciatore.

Thank you for your assistance in connection with this matter.

(Document 11 of 34)

Sincerely,



J. Jeffry Wahlen

JJW/ne
Attachment

cc: Richard Gentry, Public Counsel
Jon Moyle, FIPUG



**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 20210034-EI
IN RE: PETITION FOR RATE INCREASE
BY TAMPA ELECTRIC COMPANY**

**DIRECT TESTIMONY AND EXHIBIT
OF
MARIAN C. CACCIATORE**

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OF
MARIAN C. CACCIATORE

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED DIRECT TESTIMONY**

3 **OF**

4 **MARIAN C. CACCIATORE**

5
6 **Q.** Please state your name, address, occupation, and
7 employer.

8
9 **A.** My name is Marian C. Cacciatore. My business address is
10 702 N. Franklin Street, Tampa, Florida 33602. I am
11 employed by Tampa Electric company ("Tampa Electric" or
12 "company") as Vice President of Human Resources.

13
14 **Q.** Please describe your duties and responsibilities in that
15 position.

16
17 **A.** I am responsible for the leadership and strategic
18 direction of the human resources functions for Tampa
19 Electric, including compensation, benefits, healthcare,
20 pension and retirement savings, and payroll.

21
22 **Q.** Please provide a brief outline of your educational
23 background and business experience.

24
25 **A.** Prior to joining Tampa Electric in 2020, I served as

1 Vice President of Human Resources ("HR") for a satellite
2 communications company. My background also includes HR
3 leadership roles in manufacturing, financial services,
4 communications, and high-tech organizations.

5
6 I hold a bachelor's degree in Business Administration
7 from the University of South Florida and a master's
8 degree in Human Resources Management from Rollins
9 College.

10
11 **Q.** What are the purposes of your direct testimony?

12
13 **A.** The purposes of my direct testimony are to explain the
14 company's employee compensation system and demonstrate
15 that Tampa Electric's payroll and benefits costs for the
16 2022 test year are reasonable.

17
18 **Q.** Have you prepared an exhibit to support your direct
19 testimony?

20
21 **A.** Yes. Exhibit No. MCC-1 entitled "Exhibit of Marian C.
22 Cacciatore" was prepared under my direction and
23 supervision. The contents of my exhibit were derived from
24 the business records of the company and are true and
25 correct to the best of my information and belief. It

1 consists of 11 documents, as follows:

2

3 Document No. 1 List of Minimum Filing Requirement
4 Schedules Sponsored or Co-Sponsored by
5 Marian C. Cacciatore

6 Document No. 2 IBEW and OPEIU Historical Base Wage
7 Adjustment (2012-2020)

8 Document No. 3 Total Annual Compensation Analysis for
9 Exempt and Non-Covered/Non-Exempt
10 Benchmarked Positions (2019-2020)

11 Document No. 4 Merit Budget History - Exempt (2012-
12 2020)

13 Document No. 5 Merit Budget History - Non-Covered/Non-
14 Exempt (2012-2020)

15 Document No. 6 Utility Comparison - Total Salaries and
16 Wages as a Percent of Operations and
17 Maintenance Expense (2019)

18 Document No. 7 Tampa Electric Benefits Package
19 Description

20 Document No. 8 2019 BENVAL Study - Entire Benefit
21 Program (Excludes Team Member
22 Contributions)

23 Document No. 9 2019 BENVAL Study - Medical and Dental
24 (Excludes Team Member Contributions)

25 Document No. 10 Mercer - Average Annual Health Benefits

1 Cost Per Employee (2011-2020)

2 Document No. 11 2019 BENVAl Study - Defined Benefit and
3 Defined Contribution (Excludes Team
4 Member Contributions)

5
6 **INTRODUCTION**

7 **Q.** What are Tampa Electric's areas of strategic focus?

8
9 **A.** The company has three strategic priorities - world-class
10 safety, improving the customer experience, and becoming
11 cleaner and greener. Our talent philosophy, work culture,
12 and leadership principals support these strategic
13 priorities.

14
15 **Q.** What is Tampa Electric's general philosophy for its team
16 members?

17
18 **A.** Tampa Electric believes that our value to our customers,
19 communities and owners is driven by our team members, who
20 must be focused on meeting the needs of our customers
21 today and in the future. We want team members who are
22 committed to world-class safety and who work relentlessly
23 to be safe every moment of every day. The company seeks
24 to hire and retain skilled team members who are committed
25 to collaboration at a time when the electric industry is

1 changing rapidly. Our team members must embrace
2 innovations that safely and efficiently deliver clean and
3 reliable energy to our customers. We also want team
4 members who strive to cost-effectively deliver excellence
5 in all aspects of our operations.

6
7 **Q.** What are the company's core employee values?

8
9 **A.** Our core employee values include safety, being healthy, a
10 focus on customers and the environment, efficiency and
11 cost-effectiveness, leadership, integrity, respect,
12 collaboration, and pursuit of excellence. These values
13 are reflected in our Employee Code of Conduct, which
14 establishes a foundation for team member integrity and
15 high ethical standards.

16
17 **Q.** What leadership competencies does Tampa Electric foster
18 to develop in team members?

19
20 **A.** Tampa Electric fosters seven leadership competencies in
21 all team members. The seven leadership competencies
22 listed below guide the development of both people
23 managers and team members.

24
25 1. Speaks Up on Safety, Health, and the Environment;

- 1 2. Takes Ownership and Acts with Integrity;
- 2 3. Drives Operational Excellence for Customers;
- 3 4. Builds Strong Collaborative Relationships;
- 4 5. Develops Tampa Electric and Teams;
- 5 6. Cultivates Innovation and Embraces Change; and
- 6 7. Thinks Strategically and Exercises Sound Judgment.
- 7

8 **Q.** What role do the principles of inclusion and diversity
9 play at Tampa Electric?

10

11 **A.** Inclusion and diversity ("I&D") are cornerstones of our
12 long-term success. Cultivating an inclusive work
13 environment that fosters respect and collaboration allows
14 us to benefit from the unique perspectives, backgrounds,
15 and varying experiences of our team members.

16

17 **Q.** What has Tampa Electric done to promote I&D?

18

19 **A.** In 2019, the company introduced an Inclusion & Diversity
20 ("I&D") initiative that provides an organizational
21 blueprint for achieving sustained diversity within our
22 employee base, our suppliers, and as part of our
23 commitment to our communities. Last year was a
24 foundational year, and we formed an I&D Employee Council
25 ("council"). In partnership with our leadership team, the

1 council created a road map of 2021 priorities including
2 employee education and awareness that will begin with
3 unconscious bias conversations for all team members
4 beginning in the second quarter of 2021. In addition, HR
5 reviewed our talent processes to increase the diversity
6 of candidates. This review identified specific recruiting
7 processes and strategies that resulted in removing
8 barriers of entry for minority and underrepresented
9 internal and external candidates.

10
11 **Q.** What role does I&D play in the company's overall talent
12 strategy?

13
14 **A.** An inclusive and diverse workplace yields greater
15 employee engagement. Strong employee engagement, combined
16 with competitive compensation and benefits packages,
17 helps the company attract and retain skilled talent. Our
18 customers benefit when we retain, attract, reward, and
19 respect skilled and committed team members. Taking care
20 of our team members via competitive pay, and health and
21 benefit packages, contributes to their safety,
22 performance, and productivity at work, and benefits Tampa
23 Electric's customers.

24
25 **Q.** How many team members are employed by Tampa Electric?

1 **A.** Tampa Electric currently employs approximately 2,400
2 people. These team members work toward providing a world
3 class customer experience every day of the year, which
4 requires a team effort.

5
6 **Q.** Does Tampa Electric have team members that are members of
7 a collective bargaining unit?

8
9 **A.** Yes, approximately 892 members of our team are part of a
10 collective bargaining unit. We have Collective Bargaining
11 Agreements ("CBA") with two unions: the International
12 Brotherhood of Electrical Workers Local Union 108
13 ("IBEW") and the Office and Professional Employees
14 International Union Local 46 ("OPEIU").

15
16 **Q.** How is the compensation set for those team members that
17 are members of these two collective bargaining units?

18
19 **A.** Their compensation is set via a CBA. A CBA is a contract
20 between a labor union and the company that governs
21 working conditions including wage scales, working hours,
22 training, health and safety, overtime, grievance
23 mechanisms, and rights to participate in workplace or
24 company affairs. Most of our "covered" team members are
25 non-exempt, are paid by the hour, and are eligible for

1 overtime or shift differential pay.

2

3 **Q.** What other team member categories does the company have
4 beyond those described above in the collective bargaining
5 units?

6

7 **A.** Tampa Electric also has exempt, non-exempt, part-time and
8 co-op student employees.

9

10 **Q.** What do "exempt" and "non-exempt" mean?

11

12 **A.** These terms refer to a team member's status under
13 applicable wage and hour laws and regulations. Exempt
14 team members are not subject to the requirements of wage
15 and hour laws, such as provisions governing when overtime
16 must be paid. We must follow applicable wage and hour
17 laws and regulations for non-exempt team members.

18

19 **Q.** How many members of the company's team are non-exempt?

20

21 **A.** Approximately 304 of our team members are non-covered,
22 non-exempt and are paid on an hourly basis.

23

24 **Q.** How many team members are exempt?

25

1 **A.** Approximately 1,179 of our team members are
2 professionals, supervisors, managers, department
3 directors, and officers who are non-covered, exempt, and
4 are paid on a salaried basis.

5

6 **COMPENSATION**

7 **Q.** What is Tampa Electric's overall compensation philosophy?

8

9 **A.** Tampa Electric recognizes that a competitive pay program
10 is a critical component of a team member's total
11 compensation. We must have a reasonable and competitive
12 compensation program to attract and retain skilled team
13 members.

14

15 We evaluate the competitiveness of our pay program by
16 focusing on Total Direct Compensation ("TDC"), which
17 includes base pay (salary or hourly), short-term incentive
18 plans ("STIP"), and long-term incentive plans ("LTIP").
19 All three elements are important, serve specific purposes,
20 and work together.

21

22 **Q.** Please describe the company's general system for
23 compensating its team members.

24

25 **A.** Tampa Electric compensates its team members with a

1 combination of direct compensation and benefits. The
2 direct compensation element has three parts: base
3 compensation, short-term incentive compensation and long-
4 term incentive compensation. Our benefits generally
5 include different types of health insurance plans,
6 retirement plans and disability insurance. I will explain
7 each of these compensation elements and our benefits
8 program in more detail below.

9
10 All team members, whether hourly or salaried, are
11 eligible to participate in our benefits program and
12 participate in our short-term incentive pay program. The
13 only exception is with our part-time and certain co-
14 op/student employees. In general, department directors and
15 officers are also eligible to participate in our long-term
16 incentive program. I will describe these programs further
17 in my testimony.

18
19 Our compensation system reflects a pay for performance
20 model focused on total compensation that aligns the
21 interests of our team members and customers. We have
22 designed our compensation system to reflect market values,
23 promote internal equity, and to be viewed as reasonable
24 when we establish the electric rates to be paid by our
25 customers.

1 Keeping our compensation packages competitive involves
2 making an appropriate portion of a team member's total
3 compensation "variable" or "at risk" through incentive
4 compensation programs that reward good performance. Our
5 incentive compensation programs encourage our team members
6 to focus on safety, reliability, organizational
7 performance, and improving the customer experience.

8
9 **Q.** What is base compensation?

10
11 **A.** Base compensation (or base pay) is the pay team members
12 receive bi-weekly and is either hourly wages or a salary.

13
14 **Q.** Do team members automatically get a base pay increase each
15 year?

16
17 **A.** Team members who are covered by a CBA are eligible for
18 base pay increases based on the applicable CBA. Non-
19 covered team members do not get automatic annual base pay
20 increases but are eligible for a merit increase.

21
22 **Q.** Please explain the company's process for making merit
23 increases.

24
25 **A.** We have an annual merit review process that encourages

1 good performance by giving team members an opportunity for
2 a TDC increase based on individual performance. Our merit
3 review process enables the company to retain strong
4 performers talent and remain competitive with the market.

5
6 Our merit process is closely tied to our annual talent
7 management process by which we assess the overall
8 performance of each team member each year. The first part
9 of the process includes goal setting, and the second part
10 requires assessment or performance review.

11
12 At the beginning of each year, our team members establish
13 performance goals and reaffirm their position
14 accountabilities with their performance coaches. Our
15 performance coaches work with team members to ensure that
16 an individual team member's annual goals align with the
17 company's annual objectives as set out in the company's
18 STIP programs. They also ensure that a team member's
19 position accountabilities align with the team member's
20 specific role functions.

21
22 We conduct performance reviews for team members as the end
23 of the year approaches. Our performance coaches assess an
24 individual's performance based on their goals and evaluate
25 a team member's progress developing the Leadership

1 Competencies described above. We assess team members on a
2 five-point scale based on expectations, i.e.,
3 Significantly Exceeds; Exceeds Many; Fully Meets; Meets
4 Most; and Does Not Meet Job Expectations, Must Improve to
5 Be Effective.

6
7 After the performance reviews are complete, performance
8 coaches can recommend a merit adjustment for each eligible
9 non-covered/non-union team member based on established
10 guidelines. The guidelines for recommending a merit
11 increase are based on the performance rating scale, the
12 position of the team member's base salary within the base
13 salary grade range, and the annual merit budget.

14
15 Merit adjustments typically are a base pay increase;
16 however, a team member may not be eligible for a base
17 salary increase if the individual's performance does not
18 meet expectations or if the team member's base salary is
19 already positioned competitively relative to the salary
20 grade mid-point. The company's officers review and approve
21 each proposed merit increase, and the President approves
22 the final total annual merit amount.

23
24 **Q.** Are covered team members eligible for merit increases?
25

1 **A.** No. Team members covered by a CBA do not participate in
2 Tampa Electric's merit process. The company negotiates
3 with each union during each contract cycle, and an annual
4 base wage adjustment is normally included in the final
5 overall agreement. Document No. 2 of my exhibit
6 summarizes the base wage adjustments for each union
7 during the period 2012 to 2020.

8
9 **Q.** Please describe the company's short-term incentive plan,
10 or STIP.

11
12 **A.** The company's STIP compensates team members for the
13 achievement of annual company objectives. This variable
14 bonus plan incentivizes individual performance and
15 contribution to annual company goals. Achieving the STIP
16 objectives is intended to benefit customers, directly and
17 indirectly.

18
19 The objectives for STIP center around performance in the
20 areas of Safety, People, Customer, Asset Management, and
21 Financial. The company's objectives in each of these areas
22 are as follows:

23
24 1. Safety: Achieve World Class Safety by developing a
25 culture of safety leadership and a reduction in

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serious injuries.

- 2. People: Develop the company's human capabilities to shape and achieve its strategic vision by building team member commitment, standardizing work processes, and developing team members and leaders.

- 3. Customer Experience: Provide outstanding Customer Service in ways that result in customer loyalty and dedication by reaching high customer satisfaction levels as measured by multiple key customer service metrics.

- 4. Asset Management: Realize high operating performance with a continued focus on safety, compliance, and strategic growth.

- 5. Financial: Achieve solid financial results and effective cash flow management.

Q. Is there only one STIP applicable to all employees?

A. No, there are two plans. The first is called the Balanced Scorecard ("BSC"). The second is called the Performance Sharing Program ("PSP").

1 **Q.** Please describe the BSC.

2

3 **A.** Team members compensated using the BSC are in positions
4 with targeted at-risk pay that is tied to achievement of
5 each objective within the BSC. The BSC is set each year
6 with threshold, target, and stretch goals for the company
7 to achieve during the calendar year. It is focused
8 strategically on five areas: safety, people, customers,
9 asset management, and financial goals. The percentage of
10 at-risk pay based on BSC results is set by the
11 compensation structure by grade. Grades containing
12 management and director jobs have higher amounts of at-
13 risk pay. This corresponds to the higher level of impact
14 these team members should have on driving business
15 results.

16

17 **Q.** Please describe the PSP.

18

19 **A.** The PSP applies to the remainder of the eligible team
20 members and has a profit-sharing component based on the
21 company's performance. There is an operations target of
22 seven percent, which includes safety, employees, customer,
23 operating performance, and financial goals. The profit-
24 sharing target is up to five percent and is based on net
25 income goals. The sum of these two targets is the maximum

1 potential PSP payout team members may receive based on
2 actual results and is calculated as the achieved PSP
3 percentage multiplied by a team member's eligible annual
4 earnings.

5
6 **Q.** Please describe the company's long-term incentive plan, or
7 LTIP.

8
9 **A.** The company's LTIP is a compensation and retention program
10 for team members in key senior leadership positions. The
11 LTIP program encourages team members to focus on long-term
12 value for customers. The purpose of the LTIP is to align
13 the long-term incentive pay for senior leaders with
14 corporate and shareholder goals. LTIPs like ours are
15 commonly offered by companies that we compete with for
16 senior leadership talent. Our LTIP is an important part of
17 our competitive total compensation program for senior
18 leaders. Together with our base pay and STIP programs, our
19 LTIP allows Tampa Electric to attract and retain skilled
20 senior leaders.

21
22 LTIP is administered through the Emera Performance Share
23 Unit ("PSU") Plan. A PSU refers to a grant of a value of
24 an Emera common share. Each grant has a performance, or
25 vesting, period of three calendar years. The PSU is

1 affected by the Emera share price and achievement of pre-
2 determined financial objectives. At the end of the three-
3 year performance period, the grants for that performance
4 period are paid out. A main PSU payout factor is a
5 comparison of Emera's performance results against the
6 financial objectives set for that period. The purpose is
7 to align leaders' long-term incentive pay with Emera
8 corporate goals that focus on creating and preserving long
9 term shareholder value, which in turn, is driven by
10 creating long term customer value. Each year, team
11 members at the director level or above are awarded PSUs
12 based on a percentage of base pay.

13
14 **Q.** You have explained that Total Direct Compensation consists
15 of base pay, STIP, and LTIP. What is the company's
16 "target" for Total Direct Compensation?

17
18 **A.** We target the median (middle) of the market. Using the
19 market median is a compensation best practice and is
20 better than using the mean or average, because the median
21 is less sensitive to outliers in market data. Targeting
22 the median balances our desire to hire and retain quality
23 team members and to maintain reasonable customer rates.

24
25 **Q.** What tools does the company use to align TDC with the

1 market median?

2

3 **A.** Our skilled labor positions are covered by a CBA with the
4 IBEW. We benchmark our TDC for these team members during
5 each CBA negotiation against TDC paid by southeastern
6 utilities as a comparable group.

7

8 For employees not covered by a CBA, the company assesses
9 TDC against the market using data from the U.S. Mercer
10 Benchmark database and the Willis Tower Watson Middle
11 Management Professional and Support ("MMPS") Survey at
12 least biennially.

13

14 In addition to our regular market assessments, we
15 conducted a comprehensive compensation review in 2019 to
16 align our compensation system for non-covered employees
17 more closely to the market. We used reports from Mercer
18 and Willis Tower Watson and mapped every job to an
19 external benchmark.

20

21 **Q.** What changes did the company make based on the 2019
22 review?

23

24 **A.** Based on this review, we adopted a new market-based
25 salary scale in 2020. We consolidated our 21 previous job

1 grades into 11 grades, so each grade now contains jobs
2 that are similar in knowledge, skills, and abilities. We
3 used average market references for the benchmarked jobs
4 by grade to create a mid-point salary for each grade, and
5 then established salary ranges by grade equal to 20
6 percent above and below the mid-point. The resulting
7 salary scales allow us to set a team member's salary
8 within the applicable range based on the team member's
9 mastery of the role, critical skills, and performance for
10 the job. Our salary scale is now more efficient to
11 administer, provides greater internal equity and
12 maintains our average total annual compensation for
13 benchmarked exempt and non-covered/non-exempt ("NC/NE")
14 positions below the market median (50th percentile).
15 Document No. 3 of my exhibit provides more information
16 about the results of our review.

17
18 **Q.** How does Tampa Electric's total direct compensation
19 compare to the market?

20
21 **A.** Tampa Electric's TDC was 98.8 percent of the market
22 median in December 2020.

23
24 **Q.** What evidence do you have to support this statement?

25

1 **A.** As previously discussed, we perform a detailed
2 benchmarking analysis of TDC (fixed and variable) at
3 least biennially and completed our most recent analysis
4 in 2019. Our periodic benchmarking analyses involve
5 making market comparisons for a core group of jobs
6 defined as "benchmark jobs." Benchmark jobs include
7 exempt and NC/NE jobs that match a Tampa Electric job.
8 This type of benchmarking analysis is standard throughout
9 the industry when a market-based compensation system is
10 used. Our 98.8 score in relation to the market median is
11 reflected in Document No. 3 of my exhibit.

12
13 **Q.** Do you have analyses showing how Tampa Electric's salary
14 levels compare to the market over time?

15
16 **A.** Yes. Document Nos. 4 and 5 of my exhibit show the overall
17 annual percentage increase used by Tampa Electric in its
18 annual merit pay program has averaged 0.1 percent below
19 key market indices over the period 2012 to 2020. In
20 addition, the percent increase for each year has
21 consistently been at or below the average rates of key
22 market indices.

23
24 **Q.** Has the company made any other comparisons that support
25 the reasonableness of its salary and wage levels?

1 **A.** Yes. We compared Tampa Electric's total salaries and
2 wages to 16 other utilities in the Southeastern United
3 States as reported in the Federal Energy Regulatory
4 Commission ("FERC") Form-1 annual report for 2019. This
5 analysis focused on total salaries and wages as a
6 percentage of total operations and maintenance expenses.
7 Tampa Electric's percentage is close to the median for
8 this benchmark group as shown on Document No. 6 of my
9 exhibit.

10

11 **Q.** Are the company's compensation systems and levels
12 reasonable considering the recent economic downturn and
13 current unemployment levels?

14

15 **A.** Yes. Tampa Electric acknowledges the impact that the
16 pandemic has had on our customers and the communities we
17 serve, but we believe that the impact of the pandemic on
18 compensation levels will not be significant or lasting.
19 As we have continued to hire during the pandemic, we have
20 had to remain competitive with our compensation levels to
21 attract skilled candidates. Attracting and retaining a
22 qualified work force over the long term is one of the
23 many challenges facing the utility industry, including
24 Tampa Electric, so our compensation system must look
25 beyond temporary market disturbances.

1 A significant portion of our workforce consists of (1)
2 technical/professional team members, many of whom are in
3 jobs requiring a college degree, and (2) highly skilled
4 craft team members, most of whom were trained in-house
5 through various on-the-job and classroom training
6 programs.

7
8 The demand for skilled trades in the state of Florida is
9 anticipated to grow over the next decade, but the number
10 of young people willing to work in the trades is
11 declining. At the same time, the baby boomer generation
12 of skilled-trade workers is continuing to retire, so we
13 have a growing concern about the availability of talent
14 in the skilled trades.

15
16 The competitive landscape for attracting and retaining
17 technical/professional talent is also changing. As noted
18 in the testimony of Tampa Electric witnesses Melissa L.
19 Cosby, Regan B. Haines, and Karen M. Mincey, our industry
20 is evolving and customer expectations are changing, so we
21 are investing in digital and information technology to
22 improve the customer experience. Consequently, we find
23 ourselves competing for talent with high technology
24 companies, not just other utilities. Although the
25 pandemic has resulted in higher unemployment in some job

1 sectors, it has also created new remote work
2 opportunities, so we find ourselves competing with
3 companies located far beyond our service territory for
4 talent living in our service territory.

5
6 These changing dynamics make having a competitive
7 compensation system for the long-term even more
8 important. Without competitive salaries and wages, the
9 company will lose well-qualified and talented team
10 members and have a difficult time attracting prospective
11 talent. Although a certain amount of employee turnover
12 may be healthy, excessive turnover can negatively affect
13 the level of service we provide to our customers.

14
15 **BENEFITS**

16 **Q.** Describe the company's benefits package.

17
18 **A.** The company's benefits package is designed to maintain a
19 competitive position within the market so the company can
20 attract, retain, and develop competent and qualified team
21 members. Our benefits package includes consumer driven
22 health plans, pharmacy plans, employee family assistance
23 plans, dental and vision plans, flexible benefit plans
24 (Healthcare FSA, Dependent Care FSA, and Transportation
25 and Parking FSA), life insurance (basic, supplemental,

1 spouse, and child), long-term care insurance, group
2 retirement plans, long-term disability, and retiree
3 medical. Document No. 7 of my exhibit includes a more
4 detailed description of these plans. Additionally, team
5 members receive paid time off, which is used for both
6 vacation and sick time, and 10 company paid holidays.

7
8 **Q.** How does Tampa Electric manage the design and cost of its
9 benefit programs?

10
11 **A.** Tampa Electric uses the Towers Watson BENCAL study. The
12 BENCAL study is a nationally recognized and accepted
13 actuarial tool that compares the relative value of a
14 company's overall benefit plan and its various components
15 with other companies' plans contained within the Benefits
16 Data Source - United States database. The group used for
17 the comparison includes 12 utility companies with revenues
18 that range from \$1,401 million to \$4,200 million.

19
20 BENCAL uses consistent actuarial methods applied to a
21 fixed population to determine a relative value index for
22 each benefit plan component. As a result, the differences
23 in value among employer plans are exclusively a function
24 of differences in the plan provisions.

25

1 The BENVAl Study includes a relative value index score for
2 each company's benefit plan components. The index score is
3 calculated by analyzing and determining the value of each
4 company's benefit plan component and then dividing each
5 company's value by the average benefit plan value for each
6 component among all the companies in the benchmark group.
7 A relative index of 100 represents an average company
8 value. BENVAl data is presented for both non-union (Exempt
9 and NC/NE) and union employee groups.

10
11 Tampa Electric's BENVAl Index score for its total benefit
12 program is 94.11 for non-union (Exempt and NC/NE) team
13 members and 93.28 for union team members as shown in
14 Document No. 8 of my exhibit. Both scores are below the
15 index average of 100, which means that the cost of
16 company's total benefit program is below the average while
17 still providing a value that is competitive. This shows
18 that the company's benefit package is reasonable.

19
20 **HEALTHCARE BENEFITS**

21 **Q.** How does the company evaluate the design and cost of its
22 health care programs?

23
24 **A.** The company operates its health plans with appropriate
25 fiduciary due diligence. In addition to regular review of

1 vendor partners to ensure maximum cost-effectiveness, the
2 company has implemented various cost saving programs over
3 the past several years, reducing total health benefit
4 costs for Tampa Electric. Examples include moving to Blue
5 Cross Blue Shield ("BCBS") in 2019, which improved network
6 discounts, and implementing an in-depth health management
7 program, designed to improve both high-cost claims
8 management and clinical outcomes. We took these actions to
9 improve team member experiences and reduce costs. Since
10 2019, we have performed an annual review and renegotiation
11 of our pharmacy discounts and rebates, which has
12 consistently reduced our overall costs. Our projected
13 2022 healthcare costs reflect our active management and
14 monitoring of our medical, pharmacy, dental, and vision
15 benefits and are reasonable and prudent.

16
17 **Q.** Has the company evaluated its healthcare plan against the
18 market?

19
20 **A.** Yes. Based on the results from the Towers Watson BENVAl
21 study, Tampa Electric's relative value index score for
22 medical and dental is 92.73 for non-union (exempt and
23 NC/NE) team members and 90.48 for union team members. Both
24 are below the index average of 100. This means that the
25 company's medical and dental plans are below the average

1 while still contributing to an overall benefits program
2 that is competitive and reasonable. Document 9 of my
3 exhibit contains excerpts from this study.

4
5 **Q.** How does the company's healthcare plan compare to industry
6 standards?

7
8 **A.** Document No. 10 of my exhibit, entitled "Mercer - Average
9 Annual Health Benefits Costs Per Employee for 2011-2020"
10 demonstrates that Tampa Electric's costs during this
11 period were lower than industry experience, except in
12 2015, 2018, and 2019. According to BCBS, in 2020 Tampa
13 Electric was at or slightly below the health benchmark
14 overall, and the factors that increase the company's costs
15 were high-cost claims, inpatient services, and specialty
16 drugs. The benchmark is based on 1.5 million patients
17 served by BCBS.

18
19 **Q.** What factors are driving healthcare costs in the United
20 States?

21
22 **A.** The main drivers of increased medical cost in the U.S. are
23 inflation in unit prices, increases in the use of services
24 (primarily due to population aging and the overall
25 deterioration of the health of U.S. citizens), and

1 advances in technology and treatment protocols causing a
2 rise in the frequency and cost of high-cost claimants. The
3 cost drivers for prescription drugs are similar, with
4 specialty drugs representing a disproportionately higher
5 percentage of the cost increases than non-specialty drugs.
6 Tampa Electric is projecting an increase for its health
7 benefit costs in 2022. The projected increase in Tampa
8 Electric's healthcare costs is consistent with and caused
9 by the same factors at work for healthcare costs in the
10 United States generally.

11
12 **Q.** What specific actions has Tampa Electric taken to ensure
13 its healthcare costs are reasonable?

14
15 **A.** In partnerships with industry experts such as Mercer and
16 BCBS, the company has implemented initiatives to ensure
17 its healthcare costs are reasonable, as listed below.

- 18
19 1. Implemented a pricing strategy to encourage cost-
20 effective plan selections;
- 21 2. Reviewed and increased monthly team member
22 contributions annually;
- 23 3. Promoted team member and retiree awareness and
24 education so that they can be smart consumers of the
25 healthcare options available in their healthcare

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- plans;
4. Implemented Personal Care Connections, which is a comprehensive, high touch, disease management program, including health coaching, to facilitate the effective medical treatment of plan participants with specific diseases that, if not properly managed, can generate expensive claim costs;
 5. Implemented "Rally", a digital health platform which promotes overall health and wellness and offers rewards for meeting wellness goals;
 6. Conducted vendor analyses and determined moving to Blue Cross Blue Shield from Aetna would result in cost containment due to BCBS network discounts, network breadth, premium holidays, and implementation and wellness credits;
 7. Performed a prescription coverage collective financial review, confirming current vendor offered the most competitive pricing;
 8. Restructured prescription program to require 90-day fills by using retail Smart90 pharmacy or home delivery for long-term maintenance medications; and
 9. Implemented a Telehealth benefit for medical and dermatology, which is less expensive than the average office visit.

1 These changes have contributed to Tampa Electric
2 healthcare costs per employee for active team members
3 remaining competitive with the national average between
4 2012 and 2020. Document No. 10 of my exhibit demonstrates
5 Tampa Electric's average healthcare cost per active team
6 member compared to the similar-size utility companies
7 based on Mercer survey data.

8
9 **Q.** How does the increase in Tampa Electric healthcare costs
10 per team member from 2013 to 2020 compare to the average
11 national increase for those years?

12
13 **A.** For 2020, Tampa Electric's medical and dental costs for
14 active team members were \$24,672,586 or \$10,124 per team
15 member. In the company's 2013 rate proceeding, the
16 company's average medical and dental expense was \$8,945
17 per team member. This is an average increase of two
18 percent per year which is lower than the national average
19 medical trend according to PricewaterhouseCoopers
20 ("PwC"). PwC reports that the national medical cost trend
21 between 2013 and 2020 was an average increase of seven
22 percent per year with no plan changes.

23
24 **PENSION AND RETIREMENT SAVINGS BENEFITS**

25 **Q.** Please describe the pension and retirement savings plans

1 and how they compare to industry standards?

2
3 **A.** Tampa Electric's team members participate in the following
4 TECO retirement plans:

5 1. TECO Energy Group Retirement Plan (a qualified defined
6 benefit pension plan). Eligible team members become a
7 participant on the first day of the month after
8 completing a year of employment provided the team
9 member is age 21 by that date. If not age 21 at that
10 time, the team member will become a plan participant
11 on the first day of the month after reaching age 21.

12
13 Active participants earn a portion of the benefit each
14 year. The benefit earned at any point in time is
15 called an accrued benefit. Once a team member has
16 completed three years of service or reaches age 65
17 (whichever occurs first) while a Tampa Electric
18 employee, they receive this benefit even if they leave
19 the company before retirement.

20
21 The plan formula for determining this benefit is the
22 employee's final average annual earnings multiplied by
23 the cumulative pension credits, which are based on the
24 employee's age and length of service. These credits
25 increase with age and service.

1 The following are the formulas based on when the
2 employee became a participant in the plan.

- 3 • Prior Plan Formula - This is the formula that was
4 in effect on June 30, 2001. The benefit is
5 defined as a monthly annuity, based on final
6 average annual earnings, the employee's service
7 up to a maximum of 35 years and covered tax base.
8 The prior plan formula is used for grandfathered
9 participants.

- 10
11 • Grandfathered Participant - If the employee was
12 an active participant in the plan on July 1, 2001
13 and was age 40 or older on that date; the
14 employee is considered a grandfathered
15 participant. As a grandfathered participant,
16 these special provisions apply:

- 17 o The benefit will be determined in two ways:
18 under the pension equity formula as if that
19 formula had been in effect throughout the
20 employee's career with the company and under
21 the prior plan formula, as if that formula
22 had remained in effect throughout the
23 employee's career with the company.
24 Whichever formula provides the employee with
25 the higher benefit, is the benefit that will

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be received.

- Pension Equity Formula - This is the formula that went into effect on July 1, 2001 when the retirement plan benefit formula was converted to a pension equity formula. Under this type of formula, the benefit is defined as a lump sum based on cumulative credits at retirement or termination, multiplied by final average annual earnings. Credits increase with age and service. This is the formula that is used to determine the benefit for anyone who became a participant after July 1, 2001 and for all future benefits for any participant in the plan on July 1, 2001 who was under age 40.

- IBEW CBA Employees - Benefit accruals for participants who are covered by the IBEW CBA were frozen as of October 21, 2019. This means that benefits were determined for these participants using their final average earnings and pension credits as determined as of October 21, 2019 (and for any period after October 21, 2019 that they are not covered by the IBEW CBA and are otherwise eligible to participate in the plan).

1 Employees who are hired on or after October 21,
2 2019 and are covered by the IBEW CBA will not be
3 eligible to participate in the plan for so long
4 as they are covered by the IBEW CBA.
5

6 2. TECO Energy Group Retirement Savings Plan (a qualified
7 defined contribution 401(k) plan). Team members also
8 participate in this 401k plan. New team members who do
9 not make an enrollment election or opt out of the plan
10 participation within 30 days of their hire date are
11 automatically enrolled in the plan effective with the
12 first payroll period after 30 days of employment,
13 contributing six percent of applicable compensation on
14 a pretax basis and invested in the Vanguard Target
15 Retirement Fund that most closely matches their
16 retirement date, based on an assumed retirement age of
17 65.
18

19 Team members can contribute on a pre-tax or after-tax
20 basis from one percent to 50 percent of eligible
21 compensation. Eligible compensation includes base pay,
22 bonus, incentive, commission, and overtime earnings.
23 Team members can make changes to their contributions
24 at any time.
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The company matches \$0.75 for every \$1 the employee contributes, up to the first six percent of their pay. Fixed matching contributions are made to the team member's account each pay period and are automatically invested in the same manner as the team member's contributions to the plan.

The company adds a performance match based upon the achievement of certain business financial goals, up to \$0.25 for every \$1 a team member contributes, up to the first six percent of their pay. The performance match is paid in the first quarter of the year for the previous year and is automatically invested in the same manner as the team member's fixed matching contributions.

The fixed match and the performance match result in a potential match of \$1 for every \$1 contributed to the plan, up to the first six percent of the team member's pay.

IBEW CBA Employees - Employees covered by the IBEW CBA (other than *grandfathered members) will not be eligible for the fixed match or the performance match.

1 Employees covered by the IBEW CBA (other than
2 *grandfathered members) will be eligible to receive a
3 non-elective employer contribution on a bi-weekly
4 basis equal to a percentage of the member's
5 compensation for that period (the IBEW member
6 contribution). The percentage will be based on years
7 of tenure, as follows:

Years of Tenure	% of Compensation
0.00 – 4.99 years	6%
5.00 – 10.99 years	12%
11.00 – 20.99 years	14%
21.00 – 30.99 years	18%
31.00+ years	21%

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11
12 *Grandfathered members are those IBEW CBA-covered
13 employees who were members in the TECO Energy Group
14 Retirement Plan on July 1, 2001 and attained age 40 on
15 or before July 1, 2001.

16
17 3. TECO Energy Group Benefit Restoration Plan (a
18 nonqualified defined benefit pension plan). The TECO
19 Energy Group Restoration Plan provides non-qualified
20 benefits for team members who receive pensionable
21 earnings over the annual pay limit, determined by IRS
22 417(a)(17).

23
24 Team members whose employment status is grade 11 and
25 above and who are a member of a "select group of

1 management" team members within the meaning of ERISA
2 Section 201 (2) are eligible to participate in the
3 plan.

4
5 TECO Energy Group Supplemental Executive Retirement Plan
6 ("SERP") (a nonqualified defined benefit pension plan):

7
8 The TECO Energy Group SERP is a closed plan with two
9 remaining actively employed participants. The company has
10 less than 20 retired members that are currently in pay
11 status.

12
13 4. TECO Energy Group Postretirement Health and Welfare
14 Plan (a retiree medical plan):

15
16 The company provides access to the retiree healthcare
17 plans and company paid basic life insurance coverage
18 to eligible retirees.

19
20 Employees hired prior to 04/01/2010 that elect to
21 continue medical coverage under the terms of the TECO
22 Energy Retiree Group Health Plan, receive a fixed-
23 dollar amount, known as a Retiree Healthcare Defined
24 Dollar Benefit (DDB) Credit that off-sets the monthly
25 cost for medical coverage. This credit (no cash value)

1 is based on age and years of service at the time of
2 retirement.

3
4 **Q.** How does the company evaluate these plans for
5 reasonableness?

6
7 **A.** Tampa Electric uses an independent consultant, Mercer, to
8 evaluate the competitive positioning of these qualified
9 pension and savings plans. Mercer's database includes
10 detailed plan data for over 1,100 companies, including the
11 Fortune 500 as well as smaller companies with revenues
12 ranging from \$5.0 million to \$1.5 billion and is compiled
13 solely from publicly available information. Of the 58
14 utilities in the database, 28 percent provide a defined
15 benefit ("DB") plan to new hires while 72 percent provide
16 only a defined contribution ("DC") plan. Of the plans that
17 are offered today, the value of Tampa Electric's combined
18 DB and DC program, is at the 50th percentile of all 58
19 companies in the database.

20
21 **Q.** How does Tampa Electric's pension plan and retirement
22 savings plan compare to industry standards?

23
24 **A.** As shown in Document No. 11 of my exhibit, based on the
25 results from the Towers Watson 2019 BENVAl study, Tampa

1 Electric's relative value index score for the combination
2 of the defined benefit and defined contribution plans is
3 89.69 for non-union (Exempt and NC/NE) team members and
4 92.06 for union team members. Both are below the index
5 average of 100. This means that the company's defined
6 benefit and defined contribution plans are below the
7 average relative value while still contributing to a
8 competitive benefits program.

9
10 **Q.** Is it common to use an independent actuarial firm to
11 compute pension and post-retirement benefit costs?

12
13 **A.** Yes. Based on the benefits provided and employee
14 demographics, an actuary for a defined benefit plan
15 estimates the value of employer obligations. The
16 calculation of liabilities considers several complex
17 variables including expected future compensation
18 increases, asset returns, rates of retirement, disability,
19 death, and other reasons for termination. Actuaries use
20 historical data and future expectations to make
21 assumptions for these variables. Actuaries for defined
22 benefit plans also ensure the employer is following laws
23 and regulations regarding pension plans. This includes the
24 timely certification of minimum contributions and the
25 funded status under The Employee Retirement Income

1 Security Act of 1974 ("ERISA"). As there are extensive
2 variables and regulations to consider, it is common and
3 often necessary, for companies to engage actuarial firms
4 to compute pension and post-retirement benefit costs.

5
6 **Q.** Do the actuarial assumptions and methods provide a
7 reasonable basis for determining the level of pension
8 costs to be included in the company's operating cost?

9
10 **A.** Yes. The actuarial assumptions and methods are reasonable
11 and consistent with FASB standards and industry practice
12 and provide a reasonable basis for determining the level
13 of pension cost included in Tampa Electric's cost of
14 service studies. The company's pension costs are
15 reflected in MFR Schedule C-17.

16
17 **2022 TEST YEAR PAYROLL COSTS**

18 **Q.** What is the general basis for the company's projection of
19 its human resource needs in 2021 and 2022?

20
21 **A.** We determine the need for human resources after
22 evaluating factors including customer growth, changes to
23 our generation system, introduction of new technologies
24 like Advanced Metering Infrastructure ("AMI"), changing
25 expectations of our customers, and skills needed for our

1 business requirements and practices. Tampa Electric
2 witness David A. Pickles discusses how planned changes to
3 our generating system will impact our need for human
4 resources. Ms. Cosby, Mr. Haines, and Ms. Mincey discuss
5 how the introduction of new technologies and business
6 practices are changing the company's needs for human
7 resources in Customer Experience, Electric Delivery, and
8 Information Technology.

9
10 Tampa Electric is committed to serving its customers by
11 delivering reliable electric service in a cost-effective
12 manner. Although we operate in a capital-intensive
13 industry, it takes people to operate our business in a
14 way that meets customer expectations. For this reason, we
15 remain focused on attracting and retaining team members
16 with the right skills to meet customers' needs safely and
17 reliably.

18
19 **Q.** What is Tampa Electric's projected headcount for 2022?

20
21 **A.** We project our average number of team members for 2022 to
22 be 2,611, or about 175 more than in 2020. The projected
23 O&M impact from adding team members in 2021 and 2022 is
24 shown on MFR Schedule C-35 sponsored by company witness
25 Jeffrey S. Chronister.

1 **Q.** What is causing the increase in team members between 2020
2 and 2022?

3
4 **A.** The 2020 average number of employees included in MFR
5 Schedule C-35 is based on actual headcount during the year
6 whereas the budgeted 2022 employee headcount is based on
7 the number of authorized positions including include vacant
8 positions that are expected to be filled during 2021 and
9 2022. An adjustment for vacancies was not made to the
10 budgeted headcount as Tampa Electric does not rely on
11 headcount to determine their budgeted expenses and the
12 number of vacancies is not a metric that is used to operate
13 the business. Rather, Tampa Electric's budgeting process is
14 focused on the total dollars of expense associated with the
15 resources that the company expects to consume.

16
17 In addition to the filling of authorized vacant positions,
18 the increase in headcount can be attributed in part to the
19 introduction of AMI technology, execution of the Storm
20 Protection Plan and other emergency preparedness activities
21 and the continued evolution to a more complex distributed
22 computing environment in response to increasing
23 cybersecurity and privacy demands and customer
24 expectations.

25

1 **Q.** What actions has Tampa Electric taken since its last base
2 rate case in 2013 to control headcount?

3
4 **A.** Staffing levels and headcount budgets are one area of
5 constant scrutiny given the significant contribution of
6 payroll and benefits to the company's overall costs. All
7 department leaders are required to consider and justify
8 the need to fill a vacancy when one occurs. To ensure the
9 company's continued focus on managing staffing levels,
10 officer approval is required for headcount replacements
11 or additions.

12
13 **Q.** What is the projected gross average salary per active
14 team member?

15
16 **A.** Tampa Electric's 2022 budgeted gross average salary per
17 active team member is \$108,860 as compared to \$100,473 in
18 2018. This represents an increase of 8.3 percent since
19 2018 and an average growth rate of 2.0 percent per year.
20 This average annual growth rate is consistent with the
21 average of actual and forecasted CPI included in MFR
22 Schedule C-35 for the period from 2018-2020.

23
24 **Q.** What is the projected average payroll and fringe cost per
25 employee?

1 **A.** Tampa Electric's 2022 budgeted average payroll and fringe
2 cost per active team member is \$142,871 as compared to
3 \$131,971 in 2018. This represents an increase of 8.3
4 percent since 2018 and an average growth rate of 2.0
5 percent per year. This annual growth rate is consistent
6 with the average actual and forecasted CPI included in MFR
7 Schedule C-35 for the period from 2018-2020.

8
9 **Q.** You testified that the company's total direct compensation
10 in 2020 is reasonable and explained why. What level of
11 merit increases is the company projecting for 2021 and
12 2022?

13
14 **A.** Merit increases for 2020 to 2021 and 2021 to 2022 are
15 projected to be three percent each year. These increases
16 are reflected in the base pay component of projected 2020
17 salary and wages expenses. Based on national market
18 sources such as Mercer, World at Work, and Gartner,
19 increases are trending at approximately three percent.

20
21 **Q.** What is the company's projected STIP cost for 2022 and how
22 does that amount compare to the the 2020 historic base
23 year?

24
25 **A.** The company projects its STIP cost for the 2022 projected

1 test year will be \$21.73 million. This projected amount
2 was calculated assuming that the target goals will be met,
3 but not exceeded. The 2022 projected amount is less than
4 the 2020 historic base year short-term incentive
5 compensation expense of \$33.99 million, which was higher
6 than normal and budget because the company exceeded its
7 target goals in 2020.

8
9 **Q.** What is the company's projected LTIP cost for the 2022
10 projected test year as compared to the 2020 historic base
11 year?

12
13 **A.** The company's projected LTIP cost for the 2022 projected
14 test year is approximately \$6.83 million, which is
15 slightly less than in 2020. The actual 2020 LTIP cost and
16 payout of \$7.15 million was slightly higher than expected,
17 because the company exceeded its objectives for 2020. The
18 projected amount for 2022 assumes the LTIP objectives will
19 be met, not exceeded.

20
21 **Q.** Taken together, are the 2022 projected amounts for base
22 pay, STIP and LTIP (i.e., Total Direct Compensation)
23 reasonable?

24
25 **A.** Yes. As previously indicated, the market value of our TDC

1 expense is 98.8 percent of the market median, which
2 implies that we are paying within the market median and
3 in support of our compensation philosophy that attracts,
4 retains, develops, and rewards talent. In addition, we
5 monitor our pay practices to ensure they conform with
6 policy guidelines.

7
8 **Q.** What level of payroll cost increases for covered employees
9 were included in projected payroll costs for 2022?

10
11 **A.** The company used the negotiated increases included in the
12 current CBA to calculate payroll increases for covered
13 employees. The increases reflected in CBA for IBEW Local
14 108 are as follows: 1.00 percent for 2019, 2.00 percent
15 for 2020, 3.00 percent for 2021, 3.25 percent for 2022,
16 and 3.50 percent for 2023. This CBA expires March 31,
17 2024.

18
19 We concluded our negotiations with the Office and
20 Professional Employees International Union ("OPEIU")
21 Local 46 at the end of 2020. The resulting CBA contains
22 the following base rate increases: 3.00 percent for 2021,
23 2.75 percent for 2022, and 2.75 percent for 2023. This
24 CBA expires December 31, 2023.

25

1 These increases, which were negotiated and benchmarked
2 against other utilities in the Southeast, are reflected
3 in salary and wages expense for 2022 and are reasonable.
4

5 **Q.** What is the company's gross benefits cost for the 2022
6 projected test year as compared to 2020?
7

8 **A.** Tampa Electric's total gross benefits cost is projected to
9 be approximately \$88.8 million in 2022, as compared to
10 approximately \$75.8 million in 2020. The change is
11 primarily due to increased projected healthcare costs for
12 active team members and increased projected post-
13 retirement healthcare costs. The factors causing these
14 increased costs are further described below. Despite the
15 expected increases in healthcare related costs from 2020
16 through 2022, Tampa Electric's overall ability to control
17 benefit costs has contributed to total projected
18 Administrative & General costs in the test year falling
19 below the benchmark, as outlined in MFR Schedule C-41.
20

21 **Q.** How do the gross benefits costs compare with the amounts
22 the company has included in O&M FERC Account 926 Pension
23 and Benefits?
24

25 **A.** Tampa Electric's pension and benefits costs in O&M FERC

1 Account 926 are projected to be approximately \$52.36
2 million in 2022 as compared to \$52.28 million in 2020. A
3 portion of benefits costs are capitalized with labor or
4 are clause recoverable; therefore, the amount in FERC
5 Account 926 is lower than the gross benefits costs.
6

7 **Q.** What is the company's projected healthcare cost for the
8 2022 test year?
9

10 **A.** Tampa Electric's 2022 budgeted healthcare costs for active
11 team members, including medical and dental expenses, is
12 \$35.56 million. The company received an actuarial estimate
13 from Mercer that supports this level of expense. When
14 adjusted to include medical and dental expense attributed
15 to TECO Services Inc. ("TSI") employees that transferred
16 to Tampa Electric in 2020, the total adjusted medical and
17 dental expense for years 2018 and 2019 were approximately
18 \$30.5 million and \$28.1 million, respectively. Therefore,
19 the growth in medical and dental expense from 2018 to
20 2022, as adjusted for TSI employee costs, is 16.4 percent
21 and an average growth rate of 4.1 percent per year. This
22 average growth rate per year is below the national medical
23 cost trend of seven percent per year.
24

25 The company also provides post-retirement healthcare

1 benefits and projects its expense levels based on
2 actuarial calculations, similar to pension expense. The
3 2022 projected amount for active employees of
4 approximately \$4.6 million is based on Mercer's actuarial
5 projection and is reasonable. The 2020 post-retirement
6 expense for active employees was approximately \$2.83
7 million. The increase is the result of updated experience
8 study performed by Mercer every four years. As a result of
9 the 2020 experience study, assumptions were adjusted to
10 reflect the impact of approximately 10 percent more
11 employees participating in the TECO retirement medical
12 plan and fewer employees opting out of medical coverage
13 after retirement age. In addition, the 2021 forecasted
14 expense assumes a reduction in the discount rate from 3.32
15 percent in 2020 to 2.40 percent in 2021. These costs are
16 reflected on MFR Schedule C-35.

17
18 **Q.** Has there been any unusual activity observed in medical
19 and dental expense from the period 2018 to 2020 and how
20 does this compare to expectations for budgeted medical and
21 dental expense?

22
23 **A.** When compared to the medical and dental expense incurred
24 in 2018 and 2019, as adjusted for TSI employee medical and
25 dental expenses, the medical and dental expense in 2020

1 was significantly lower. The decrease in medical and
2 dental expense in 2020 as compared to the prior years is
3 primarily related to the impact of COVID-19 on claim
4 activity. In 2020, COVID-19 restrictions were put into
5 place and employees remained quarantined for a significant
6 portion of the year. Employees were reluctant to seek
7 preventative or other non-essential medical treatments to
8 avoid the risk of COVID-19 exposure. As a result, there
9 were significantly fewer medical claims than what are
10 experienced during a normal year. As supported by the
11 opinion of Mercer and other industry experts, we expect
12 that as pandemic conditions improve employees will begin
13 to resume normal levels of medical care in addition to
14 addressing any medical needs that may have been neglected
15 during the pandemic. The ultimate impact of employee
16 behavior on medical claims after the pandemic cannot be
17 predicted, however we feel the assumptions used in the
18 actuarial projections for budgeted healthcare and medical
19 expense for 2021 and 2022 are reasonable.

20
21 **Q.** What is the company's retirement expense for pension and
22 retirement savings in the 2022 projected test year?

23
24 **A.** The total retirement expense for pension in the 2022
25 projected test year is \$7.29 million. This includes \$6.84

1 million for the Retirement Plan, \$106,493 for the
2 Supplemental Executive Retirement Plan, and \$338,555 for
3 the Restoration Plan. The total retirement expense for
4 pension in the 2020 historical prior year is \$9.94
5 million. This includes \$9.36 million for the Retirement
6 Plan, \$246,788 for the Supplemental Executive Retirement
7 Plan and \$334,054 for the Restoration Plan. As a result
8 of our actuarial valuation, pension expense is expected
9 to decrease by \$2.65 million from 2020 to 2022. The major
10 reason for this cost reduction is related to interest
11 costs. Interest costs are calculated as the annual
12 interest on the beginning balance of the company's
13 Projected Benefit Obligation. Due to expected reductions
14 in actuarial assumptions over discount rates applicable
15 in 2022, the interest costs are projected to be
16 significantly lower.

17
18 The projected pension expenses are based on actuarial
19 studies, are reasonable, and are included in FERC Account
20 926 as shown on MFR Schedule C-17.

21
22 **Q.** What is Tampa Electric's projected total compensation and
23 benefits cost for 2022?

24
25 **A.** As outlined in MFR Schedule C-35, Tampa Electric's total

1 compensation and benefits cost is projected to be
2 \$373,028,675 for 2022.

3
4 **Q.** Are Tampa Electric's total compensation and benefits
5 costs for 2022 reasonable?

6
7 **A.** Yes. As noted above, the company benchmarks its total
8 compensation and benefits costs against applicable
9 markets using relevant utility benchmarks for both
10 compensation and benefits and those costs come in at the
11 median of the market. Furthermore, we have salaries that
12 are at the median of the market and in support of our
13 compensation philosophy that attracts, retains, develops
14 and rewards talent. In addition, we monitor our pay
15 practices to ensure they conform with policy guidelines.

16
17 **SUMMARY**

18 **Q.** Please summarize your prepared direct testimony.

19
20 **A.** Tampa Electric's total compensation package is reasonable
21 and benefits customers by ensuring the company attracts
22 and retains skilled, talented, and customer-focused team
23 members that safely deliver reliable service for our
24 customers. Tampa Electric's pay program is structured to
25 be at the market median and is based on total direct

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compensation. Additionally, the company's benefits and retirement programs are reasonable and competitive and allow the company to retain and attract high quality team members who are committed to safely providing excellent, reliable service to Tampa Electric's customers.

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

EXHIBIT

OF

MARIAN C. CACCIATORE

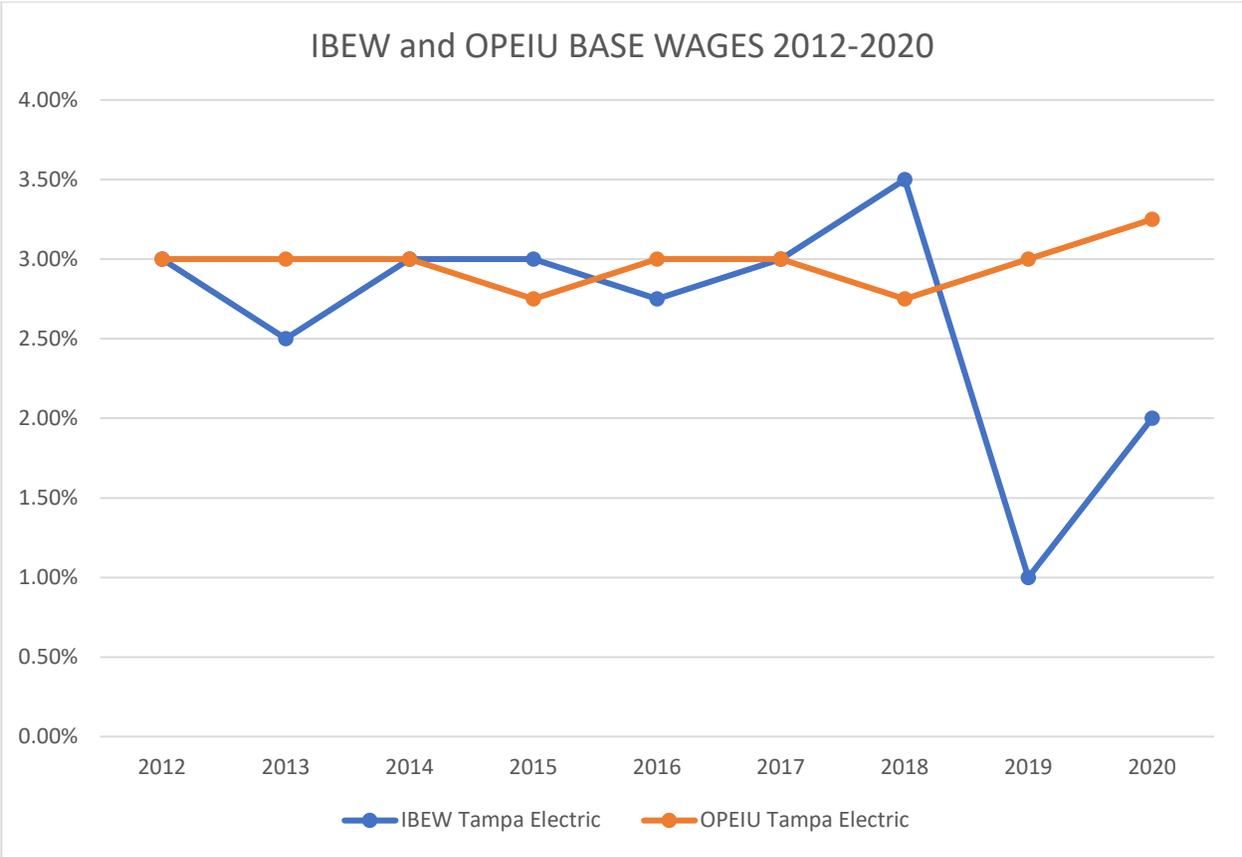
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TAMPA ELECTRIC COMPANY
DOCKET NO. 20210034-EI
EXHIBIT NO. MCC-1
WITNESS: CACCIATORE
DOCUMENT NO. 1
PAGE 1 OF 1
FILED: 04/09/2021

LIST OF MINIMUM FILING REQUIREMENT SCHEDULES
SPONSORED OR CO-SPONSORED BY MARIAN C. CACCIATORE

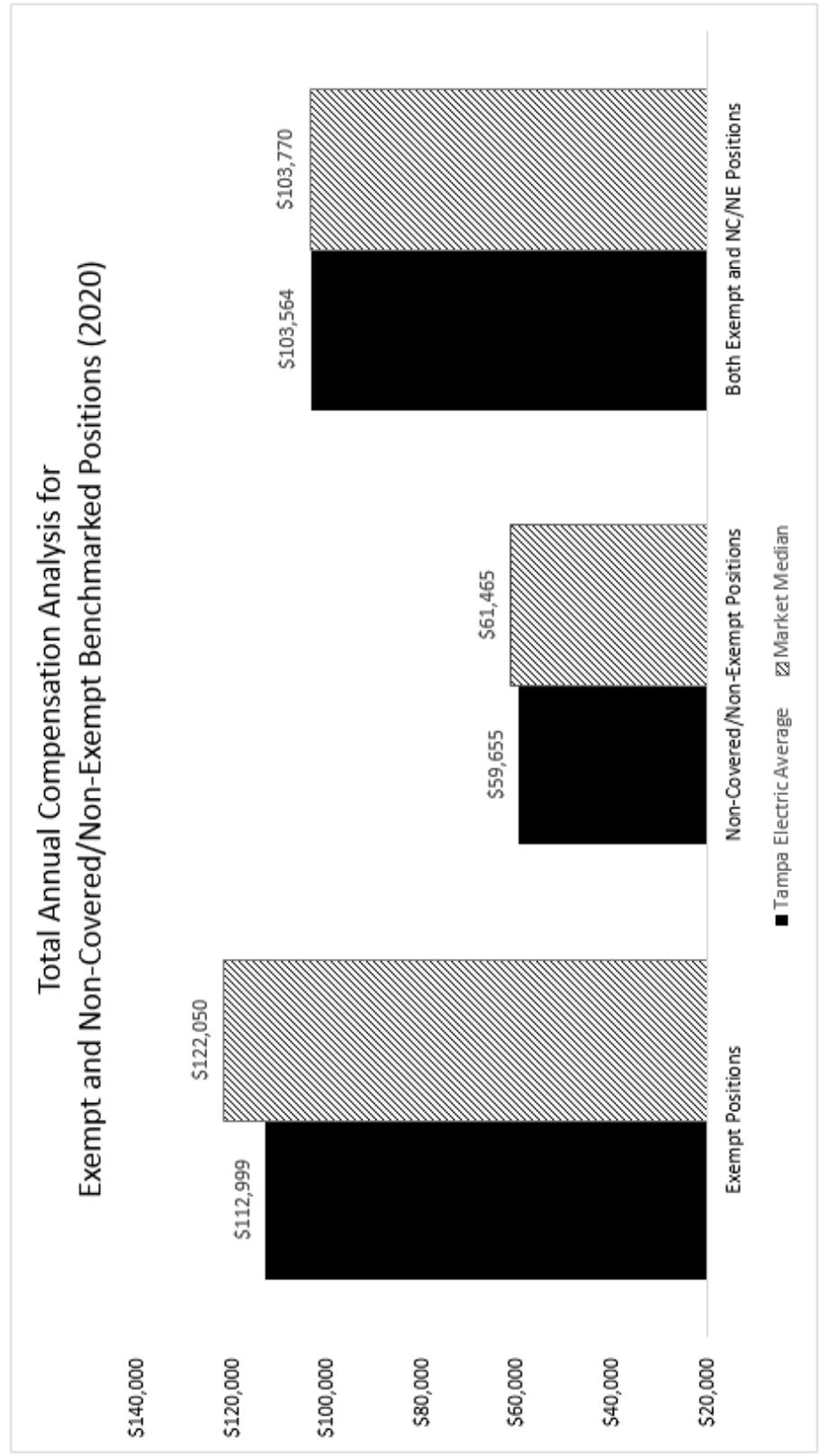
MFR Schedule	Title
C-8	Detail of Changes in Expenses
C-17	Pension Cost
C-35	Payroll and Fringe Benefit Increases Compared to CPI
C-41	O&M Benchmark Variance by Function
F-8	Assumptions

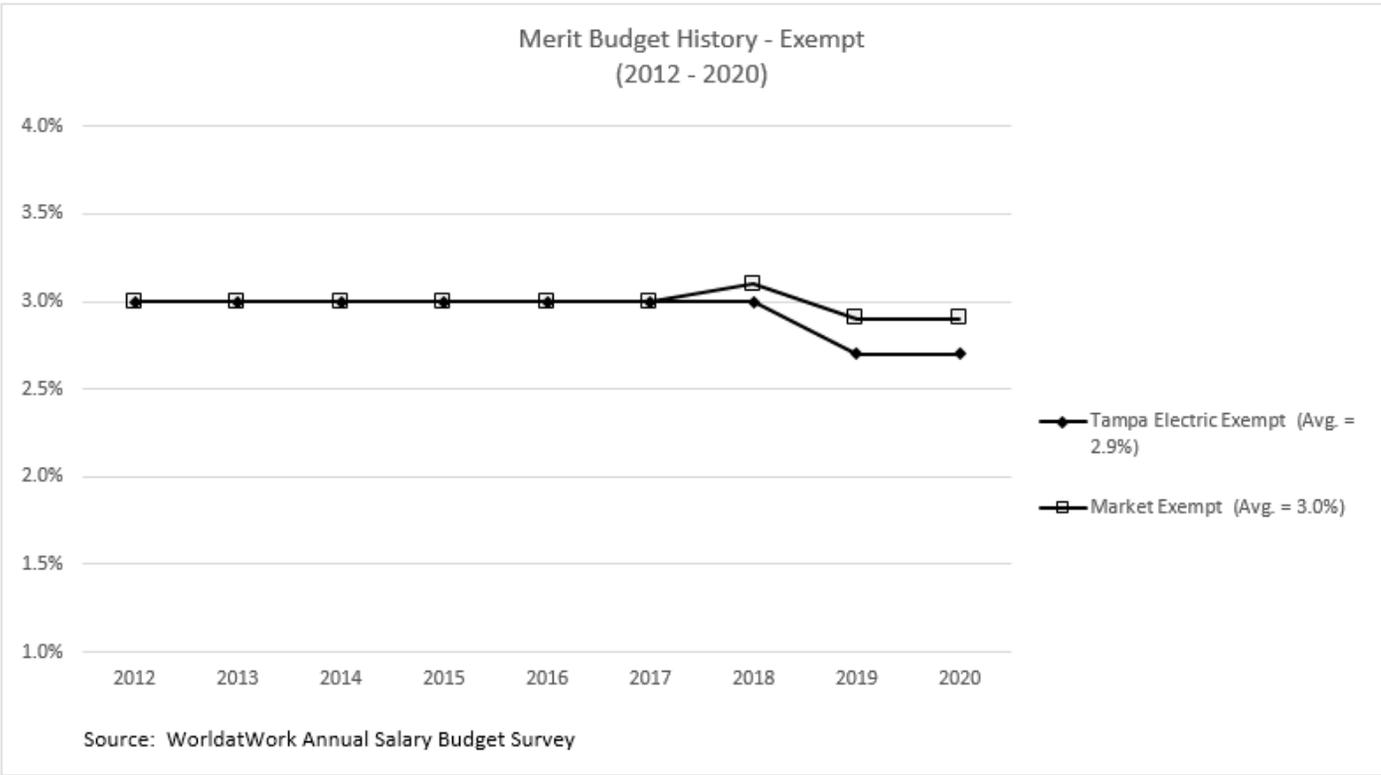


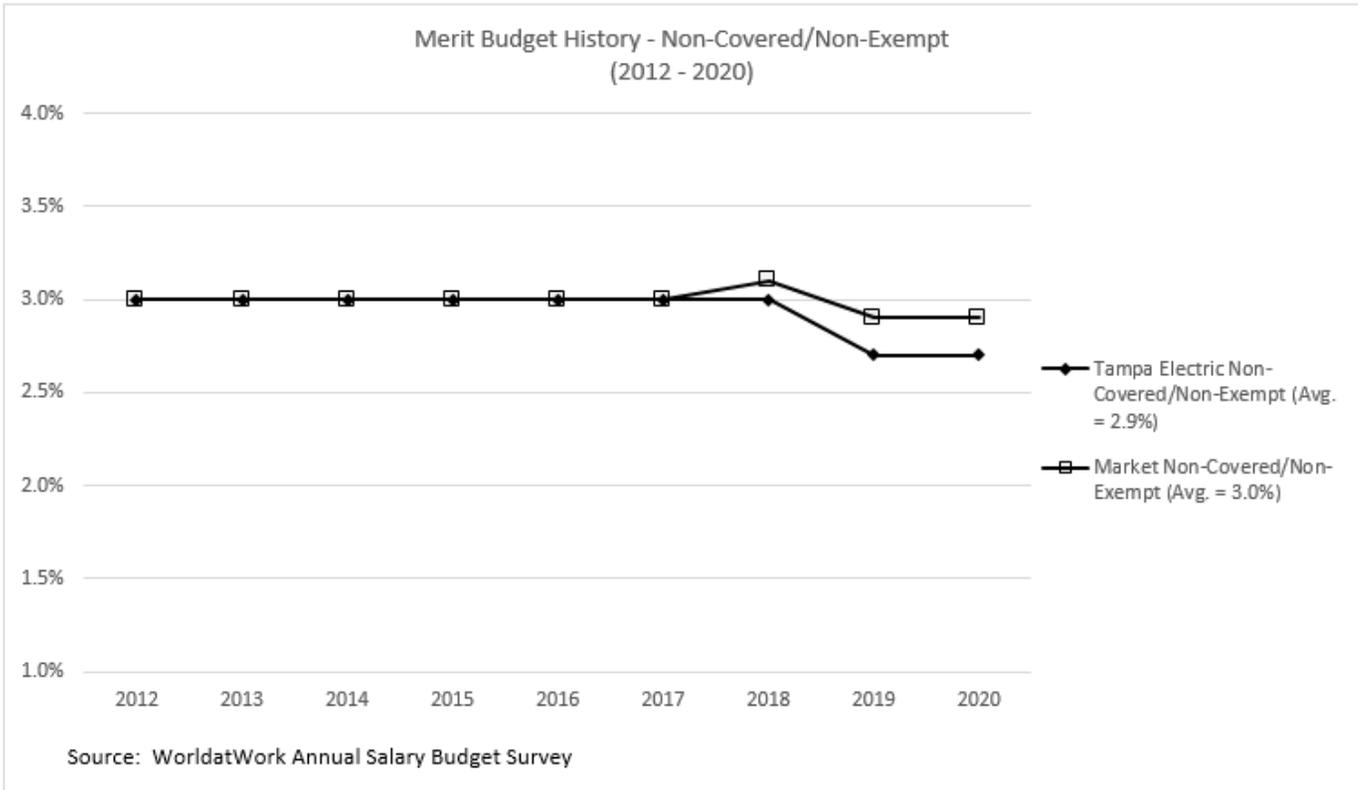
IBEW Average: 2.64%

OPEIU Average: 2.97%

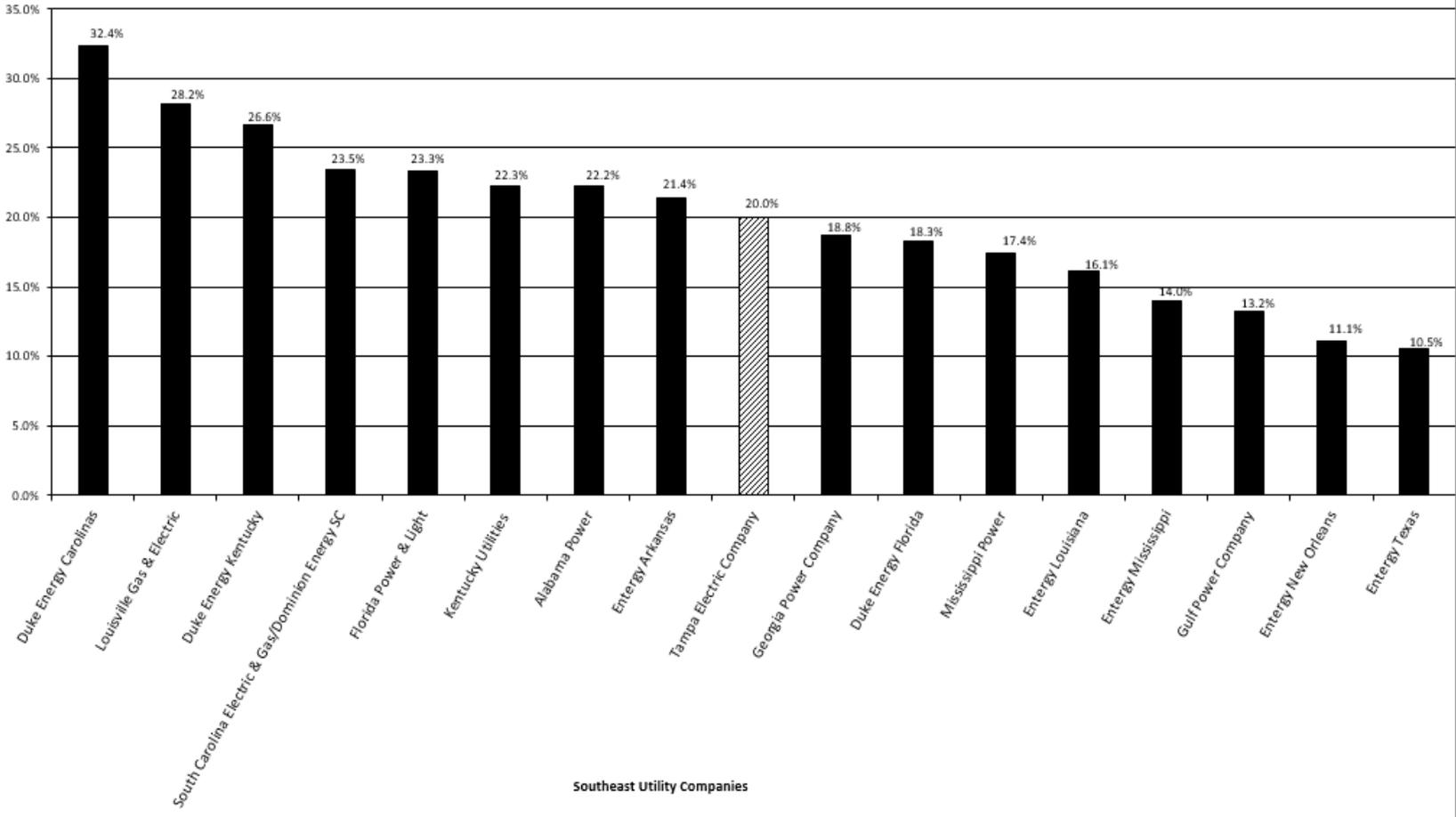
Submitted Feb 17, 2021
Average TDC (\$) Market Median is the Median of applicable TDC grade midpoints







Utility Comparison - Total Salaries and Wages as a Percent of Operations and Maintenance Expense (2019)



Source Data: FERC Form 1 Annual Report

Southeast Utility Companies

Tampa Electric Benefit Package

Benefit:	Vendor:	Description:
Medical Plan	BCBSFL	Tampa Electric offers two consumer-driven health plans to eligible active team members and their dependents. Consumerism encourages members to be aware of the cost of services as both plans exclude co-payments. Members are responsible for the plan deductible and co-insurance for most services until the plan out-of-pocket maximum is met. Members have the option to use in or out-of-network providers, however, the plan is designed to cover less if a member goes out-of-network. Both medical plans cover preventive services at 100% (in-network) to encourage wellness and a proactive approach to staying healthy. Telemedicine is a convenient service included in both plan options which allows members to call or video conference with a doctor as a lower cost alternative to an office visit. The plans include coverage for behavioral and mental health as well as dedicated clinical support for high-risk medical conditions.
Employee Assistance Program	Morneau Shepell	The EAP is a confidential assessment, counselling, and referral program offered to all Tampa Electric team members and their eligible dependents free of charge. It is designed to address a broad range of difficult issues that typically effect a person's ability to do their job if he or she does not get help. The program is available 24 hours a day, 7 days a week.
Pharmacy Plan	Express Scripts	Tampa Electric team members and their eligible dependents are automatically enrolled in the pharmacy plan when they choose to enroll in one of the company-sponsored medical plan options. The pharmacy plan allows members the choice to purchase medications at retail pharmacies or use the Express Scripts home delivery (mail order) service. The plan has programs built in, such as the generics preferred program and the preferred drug step therapy program which guides members to use lower-cost medications. In addition, the plan requires

Tampa Electric Benefit Package

		prior authorizations to ensure certain medications are prescribed accordingly.
Dental Plan	Aetna, Inc.	Tampa Electric team members can choose between two dental plan options with the Company paying most of the cost. The Preferred Provider (PPO) dental plan option allows members the flexibility to go in or out of network with the plan covering more for in-network care. The Exclusive Provide Plan (EPP) is an in-network benefit only. Members must use in-network dental providers or the plan will not pay. Both plans cover preventive services to encourage wellness and a proactive approach to staying healthy.
Flexible Benefits Plan	Chard Snyder	Tampa Electric team members are offered three types of Flexible Spending Accounts (FSA); Healthcare FSA, Dependent Care FSA and Transportation and Parking FSA. These FSAs allow team members to pay for IRS approved healthcare, work-related dependent care, and transportation and parking expenses with tax-free dollars.
Life Insurance Plan	Lincoln Financial	Tampa Electric provides a basic life insurance policy automatically paid in full by the Company for all active full-time and part-time active team members. In addition, Tampa Electric team members can purchase supplemental life insurance at a group rate cost. Spouse and dependent child life insurance coverage is also available.
Long Term Care Insurance Program	UNUM	Tampa Electric provides a basic long-term care (LTC) policy to all eligible team members at no cost. In addition, Tampa Electric team members can purchase supplemental LTC directly through UNUM at group rate cost.
Vision Coverage	Superior Vision	Tampa Electric team members can purchase a vision plan at a group rate cost.
Group Retirement Plan	Buck Global	The retirement plan is designed to provide a lifetime retirement income at no cost for eligible Tampa Electric team members.
Group Retirement Savings Plan	Empower	Tampa Electric team members

Tampa Electric Benefit Package

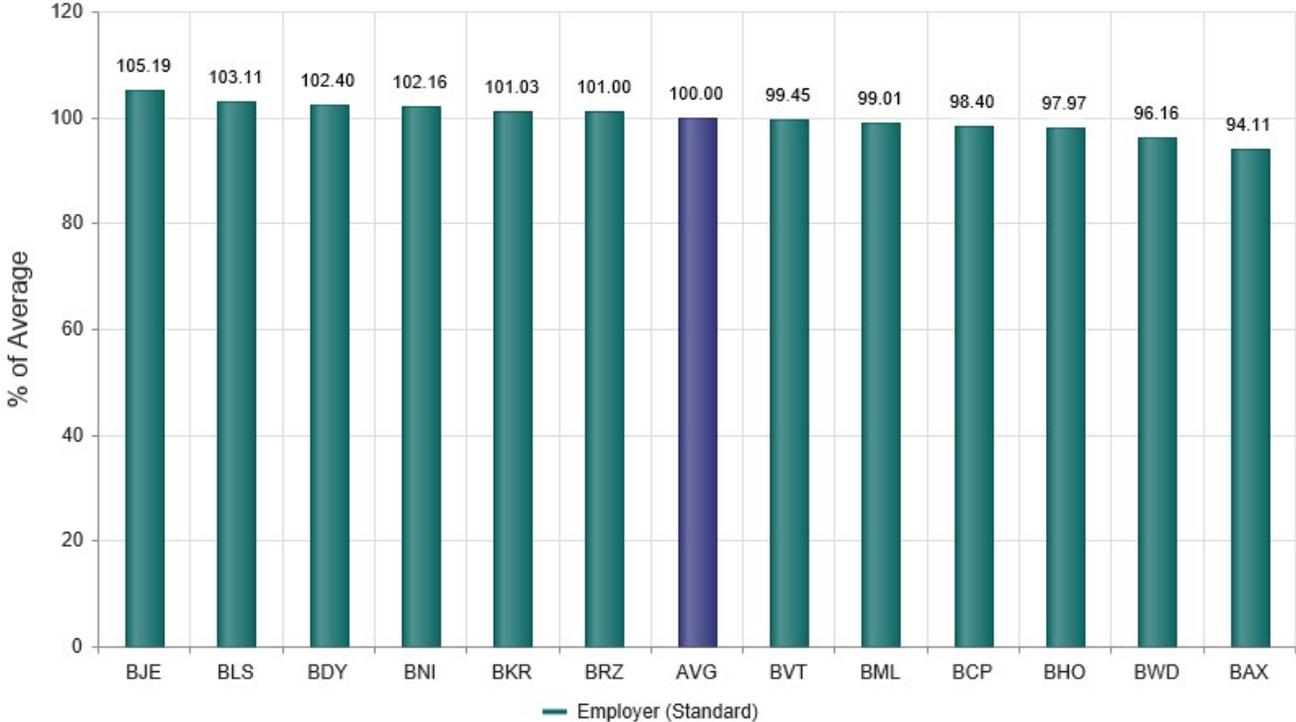
Tampa Electric Long Term Disability (LTD) Participants

Medical Plan	BCBSFL/Aetna, Inc.
Employee Assistance Program	Morneau Shepell
Pharmacy Plan	Express Scripts
Dental Plan	Aetna, Inc.
Life Insurance Plan	Lincoln Financial
Vision Coverage	Superior Vision
Group Retirement Plan	Buck Global
Group Retirement Savings Plan	Empower

Tampa Electric Retirees/Survivors

Retiree Medical Plan	BCBSFL/Aetna, Inc.
Employee Assistance Program	Morneau Shepell
Retiree Pharmacy Plan	Express Scripts
Retiree Dental Plan	Aetna, Inc.
Retiree Life Insurance Plan	Lincoln Financial
Vision Coverage	Superior Vision

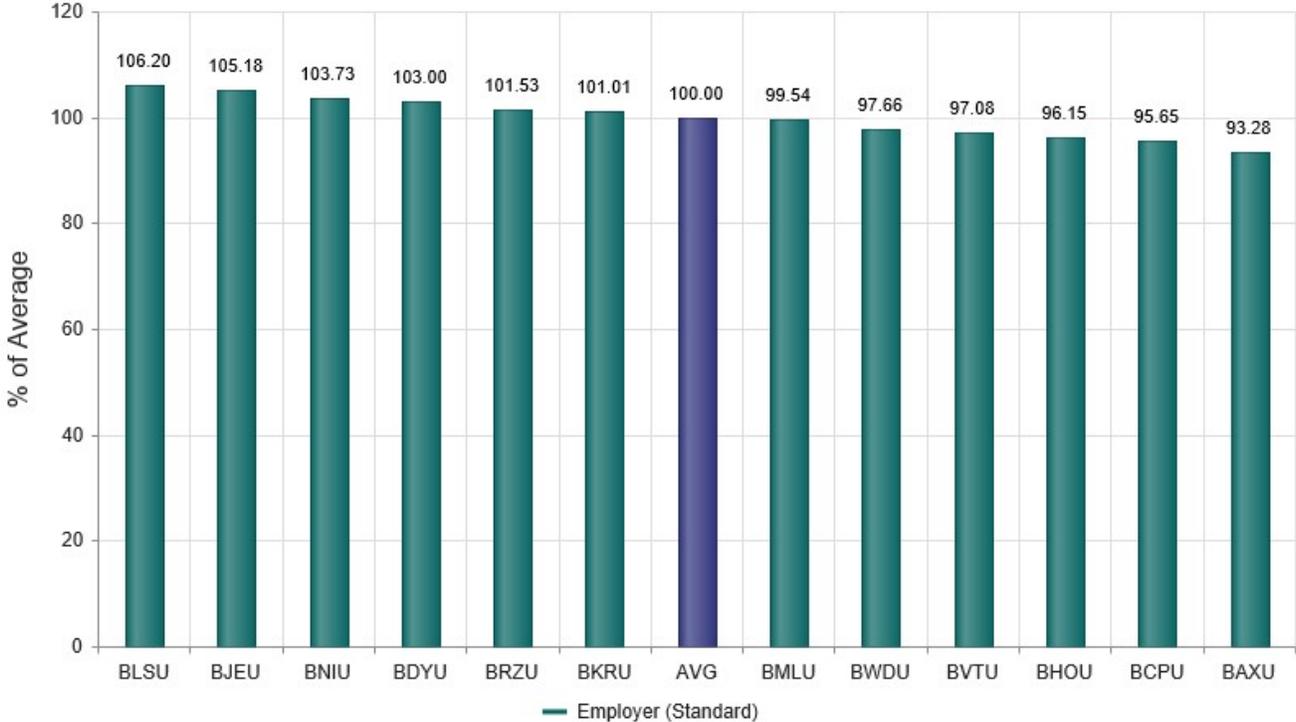
Employer Benefit Value - All Selected Benefits - Group B - Salaried



Client name: TECO Energy, Inc. - BAX
 Project name: 2019 Energy Services
 Year: 2019
 Country: U.S.

Source: 2019 BENVAl Study from Towers Watson - Energy Services Revenue Grouping B

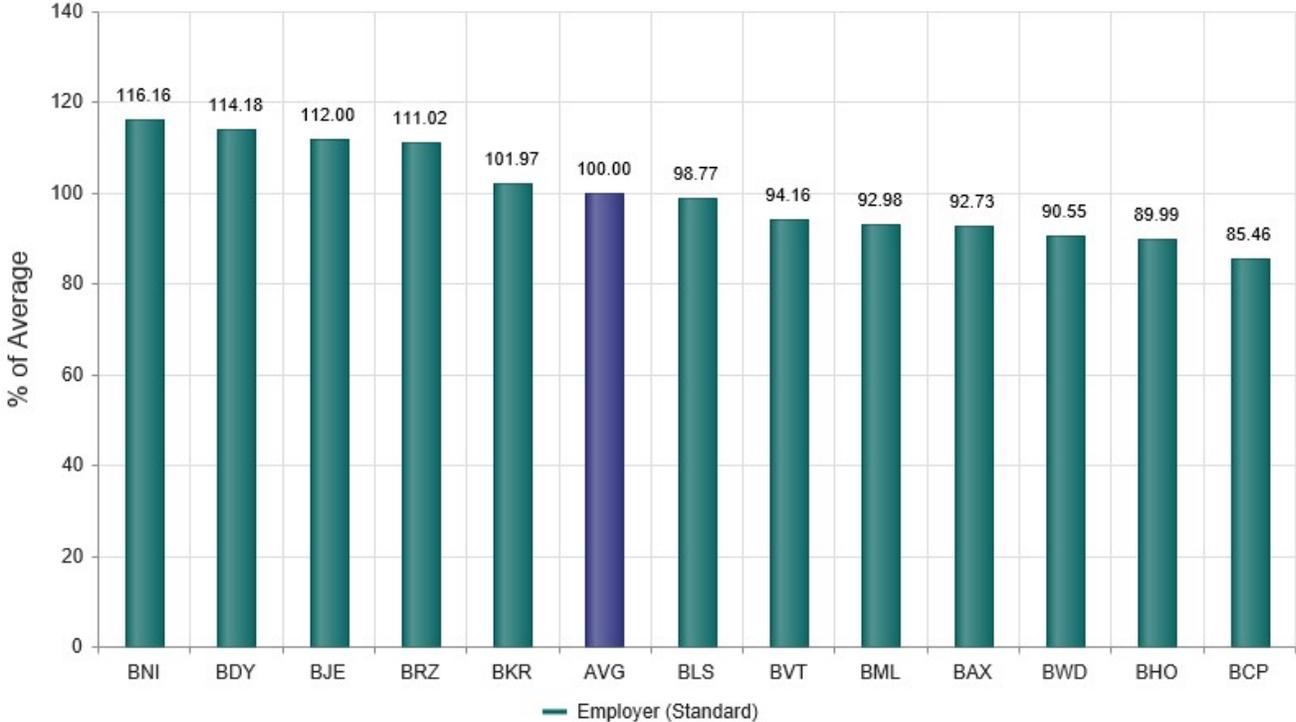
Employer Benefit Value - All Selected Benefits - Group B - Union/Hourly



Client name: TECO Energy, Inc. - BAXU
Project name: 2019 Energy Services
Year: 2019
Country: U.S.

Source: 2019 BENVAl Study from Towers Watson - Energy Services Revenue Grouping B

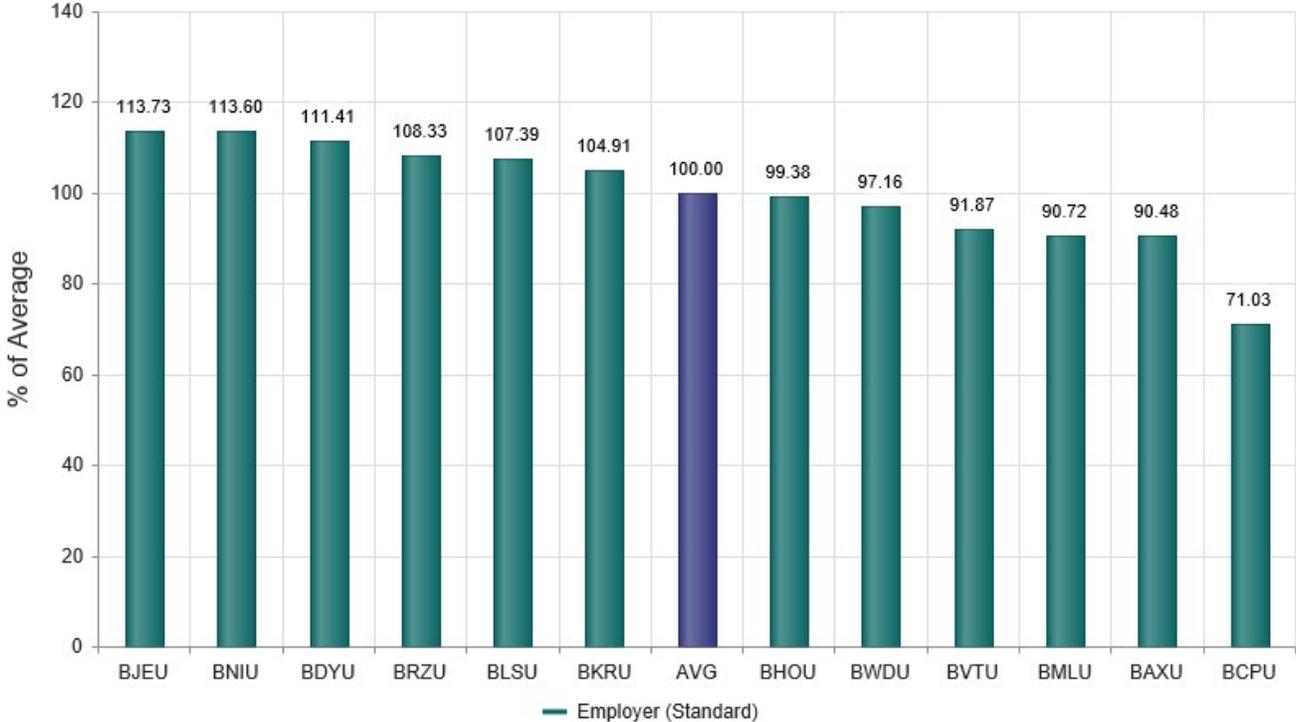
Employer Benefit Value - Medical & Dental - Group B - Salaried



Client name: TECO Energy, Inc. - BAX
 Project name: 2019 Energy Services
 Year: 2019
 Country: U.S.

Source: 2019 BENVAl Study from Towers Watson - Energy Services Revenue Grouping B

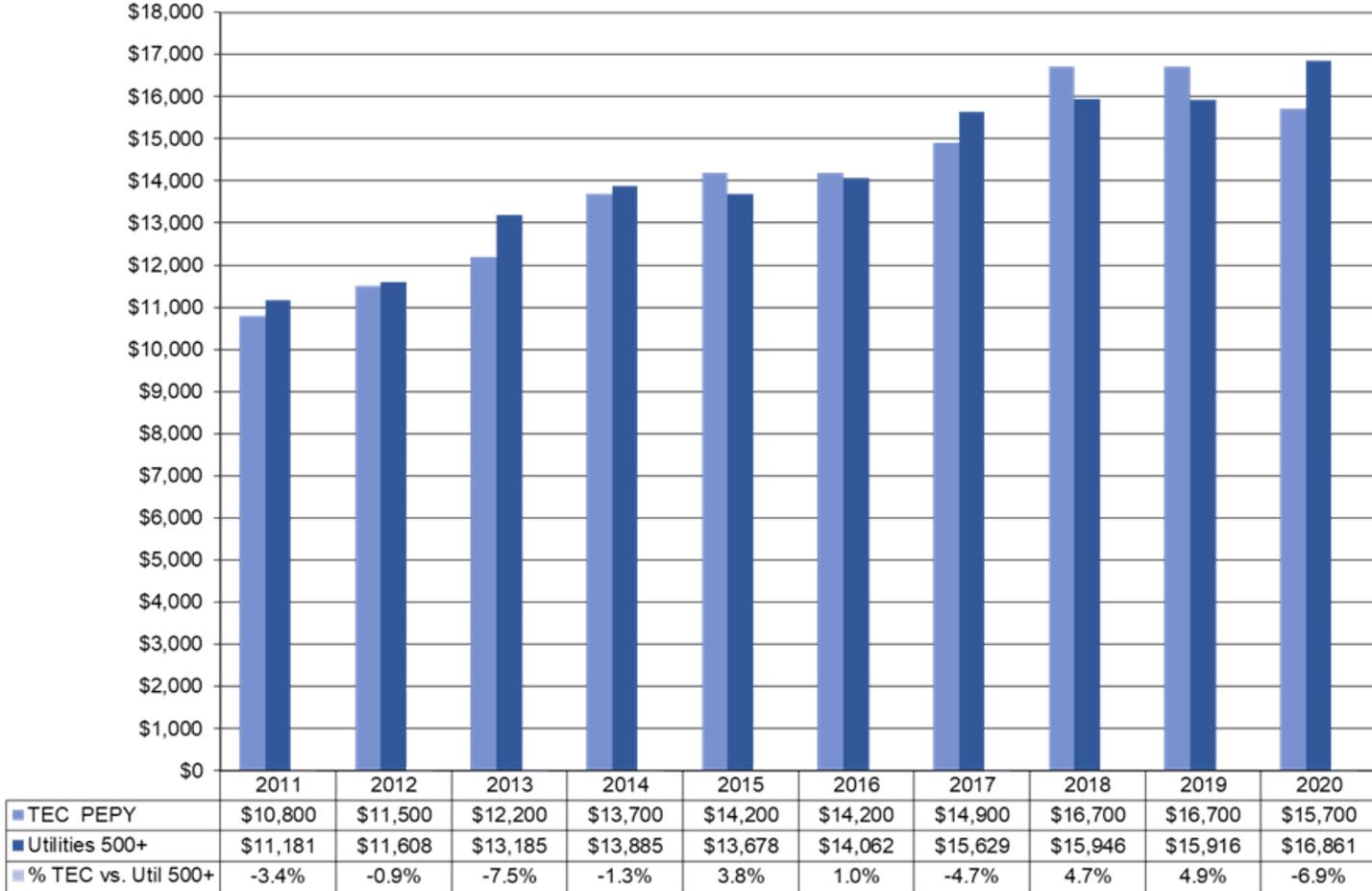
Employer Benefit Value - Medical & Dental - Group B - Union/Hourly

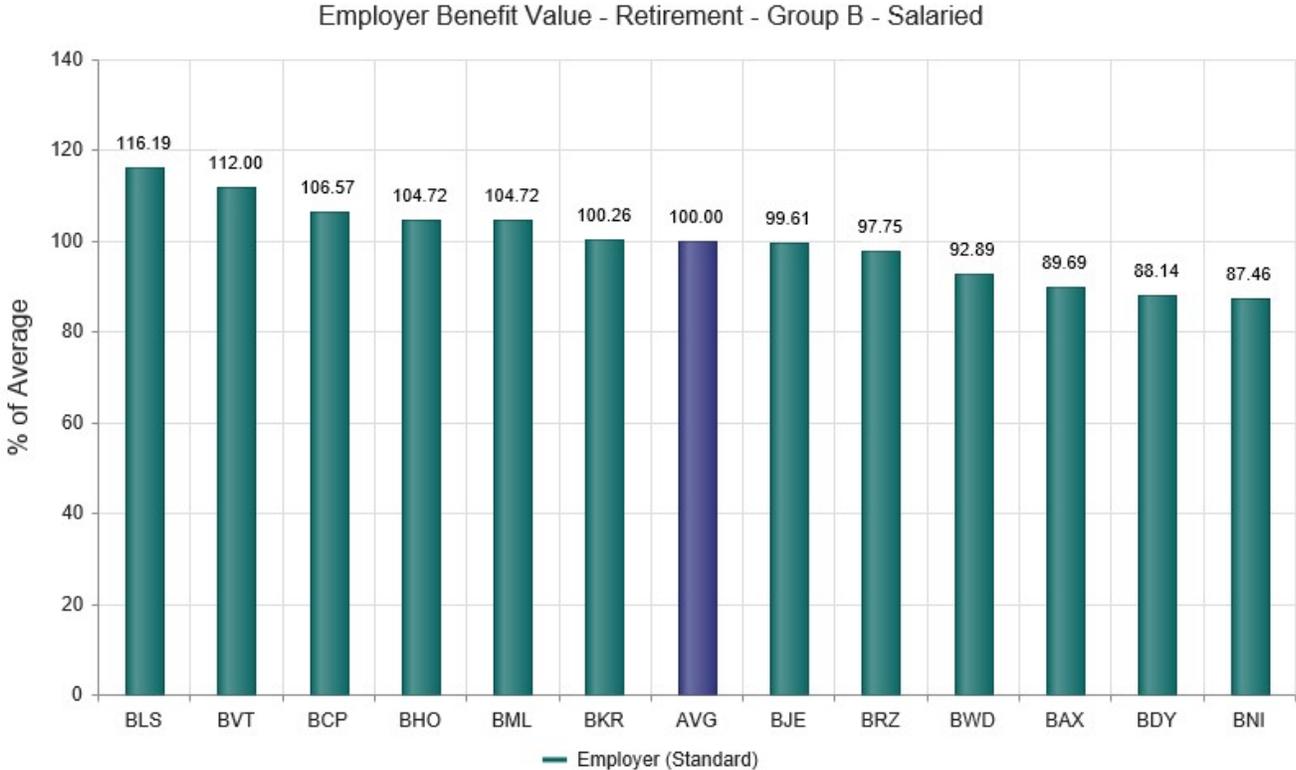


Client name: TECO Energy, Inc. - BAXU
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**Average Annual Health Benefit Cost Per Employee 2011 - 2020
All Surveyed Utilities Employers with 500+ Employees**

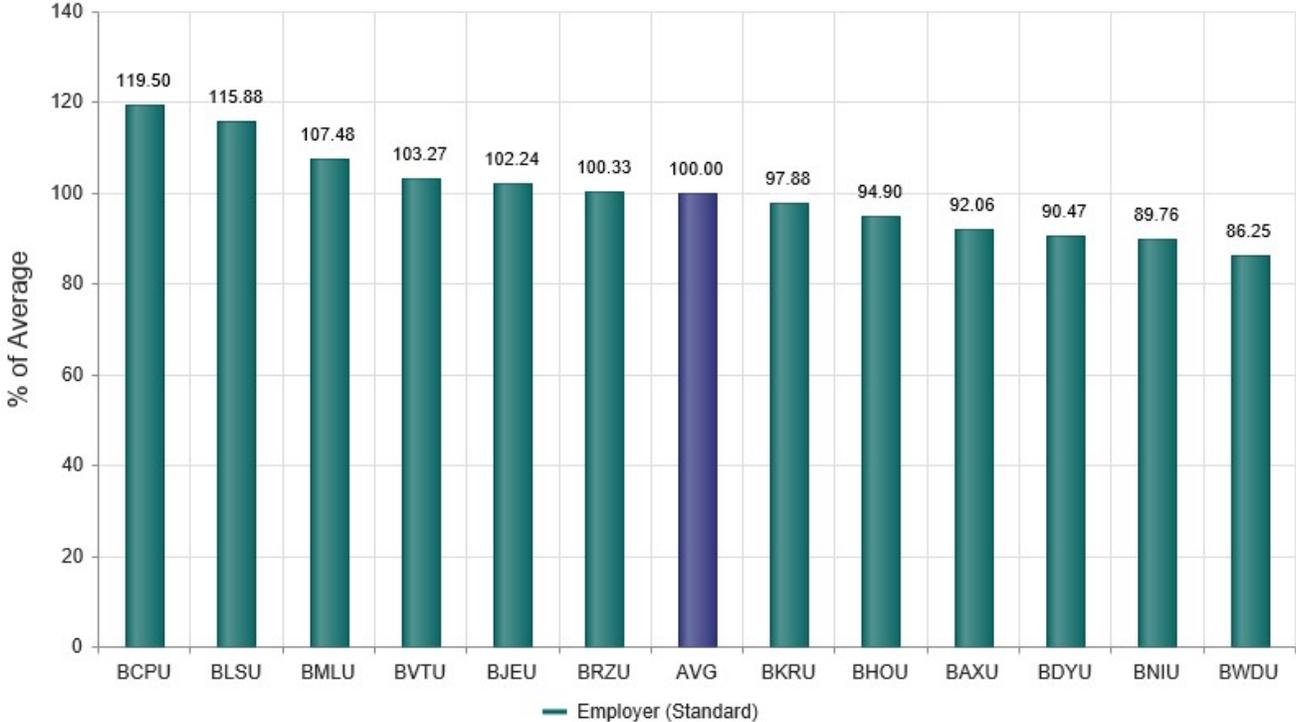




Client name: TECO Energy, Inc. - BAX
 Project name: 2019 Energy Services
 Year: 2019
 Country: U.S.

Source: 2019 BENVAL Study from Towers Watson - Energy Services Revenue Grouping B

Employer Benefit Value - Retirement - Group B - Union/Hourly



Client name: TECO Energy, Inc. - BAXU
Project name: 2019 Energy Services
Year: 2019
Country: U.S.

Source: 2019 BENVAL Study from Towers Watson - Energy Services Revenue Grouping B