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ELECTRONIC FILING

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

In re: Petition for Rate Increase by Tampa Electric Company

DOCKET NO. 20240026-EI

In re: Petition for approval of 2023 Depreciation and
Dismantlement Study, by Tampa Electric Company

DOCKET NO. 20230139-EI

In re: Petition to implement 2024 Generation Base Rate
Adjustment provisions in Paragraph 4 of the 2021 Stipulation
and Settlement Agreement, by Tampa Electric Company

DOCKET NO. 20230090-EI

Dear Mr. Teitzman:

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

Thank you for your assistance in connection with this matter.

(Document 6 of 14)

Sincerely,

J. Jeffrey Wahlen

cc: All parties

JJW/ne
Attachment



TECO[®]
TAMPA ELECTRIC
AN EMERA COMPANY

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

DOCKET NO. 20240026-EI

**PETITION FOR RATE INCREASE
BY TAMPA ELECTRIC COMPANY**

**REBUTTAL TESTIMONY
OF
MARIAN CACCIATORE**

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **REBUTTAL TESTIMONY**

3 **OF**

4 **MARIAN CACCIATORE**

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

7
8 **A.** My name is Marian Cacciatore. My business address is 702
9 North Franklin Street, Tampa, Florida 33602. I am employed
10 by Tampa Electric Company ("Tampa Electric" or the
11 "company") as Vice President of Human Resources.

12
13 **Q.** Are you the same Marian Cacciatore who filed direct
14 testimony in this proceeding?

15
16 **A.** Yes.

17
18 **Q.** Have your title and duties and responsibilities changed
19 since the company filed your prepared direct testimony on
20 April 2, 2024?

21
22 **A.** No.

23
24 **Q.** What are the purposes of your rebuttal testimony?
25

1 **A.** My rebuttal testimony has two purposes. I will address
2 criticisms of Florida Rising and League of United Latin
3 American Citizens' ("LULAC") witness Karl Rábago and the
4 Office of Public Counsel's ("OPC") witness Lane Kollen
5 related to the company's request for recovery of variable
6 incentive compensation costs for the 2025 test year. I
7 will also address certain points made by Mr. Kollen
8 regarding rate recovery of Supplemental Executive
9 Retirement Plan ("SERP") expense.

10

11 **I. TOTAL COMPENSATION**

12 **Q.** Do you have a general observation about the positions on
13 incentive compensation reflected in the testimony of
14 witnesses Rábago and Kollen?

15

16 **A.** Yes. With the exception of OPC's position on the company's
17 SERP, which is a \$107,000 issue, neither witness
18 challenged the company's proposed total compensation
19 level in 2025 as unreasonable. OPC has challenged the
20 amount of total payroll costs being capitalized, and the
21 two witnesses have raised issues about how the variable
22 incentive-based components of the company's total
23 compensation have been designed, but neither has claimed
24 that the total amount of projected compensation expense
25 in the 2025 test year is unreasonable.

1 As noted in my direct testimony, Tampa Electric's goal is
2 to set total compensation levels for its employees (the
3 total of base pay, short-term variable incentive, and
4 long-term variable incentive) at the median (middle) of
5 the market, and its total compensation was 99.5 percent
6 of the market median as of December 2023. This shows that
7 our total compensation for the 2025 test year, which was
8 based on reasonable escalations of 2023 actuals, is
9 reasonable. In the remainder of my testimony, I will
10 explain why the design of the variable incentive-based
11 components of the company's total compensation package is
12 reasonable and these costs are reasonable and prudent 2025
13 test year costs that should be recovered.

14
15 **II. VARIABLE INCENTIVE COMPENSATION**

16 **Q.** Why does the company include variable short- and long-
17 term incentive compensation as part of the compensation
18 system for its employees?

19
20 **A.** The company compensates its employees using variable
21 short- and long-term incentive compensation plans for
22 numerous reasons.

23
24 First, performance-based variable compensation plans are
25 commonly used by companies that operate in the United

1 States, so the company needs such plans to effectively
2 attract and retain employees that will enable the company
3 to effectively serve its customers. Market data from the
4 2023 Mercer Benchmark Database and Total Remuneration
5 Survey shows that 80 percent of United States-based
6 companies include a variable bonus as part of their total
7 compensation package. Tampa Electric cannot compete in
8 the current highly competitive labor market without a
9 comparable, market-based cash incentive compensation
10 program.

11
12 Second, eliminating variable, performance-based
13 compensation would require the company to increase base
14 pay and other fixed-cost programs, which would ultimately
15 lead to higher costs and could negatively impact
16 performance.

17
18 Third, variable performance-based incentive compensation
19 plans are a powerful tool for motivating employees. The
20 company's Short-Term Incentive Plan ("STIP") includes
21 safety, employee engagement and retention, customer
22 service, reliability, cyber security, fleet efficiency,
23 and financial performance goals. The company publishes
24 its STIP goals on its "Balanced Scorecard," a name that
25 reflects the work employees, managers, and officers do

1 every day to balance the competing priorities associated
2 with providing high quality service to customers at
3 reasonable rates. Including financial performance goals
4 as part of the STIP is reasonable because it would be
5 irresponsible to ask employees to ignore Tampa Electric's
6 financial health. Strong financial performance ultimately
7 benefits the company's customers, because it promotes
8 safe and reliable service and provides access to capital
9 at lower costs.

10
11 **Q.** Do you agree with Mr. Kollen's recommendation for the
12 Florida Public Service Commission ("Commission") to
13 disallow the Long-Term Incentive Plan ("LTIP")
14 compensation expense tied to Emera's financial
15 performance?
16

17 **A.** No. The LTIP is an important element of the company's
18 overall compensation program that allows the company to
19 be competitive in the labor market to attract and retain
20 a high-quality skilled workforce. Stock-based variable
21 incentive compensation programs are common in the
22 industry. The LTIP in this case incents Tampa Electric's
23 participating executives to be aware of and support the
24 financial health of Emera, which is important, because
25 Emera is the company's source of equity capital.

1 Disallowing the costs associated with the company's LTIP
2 would require the company to re-design its compensation
3 structure and replace LTIP with higher fixed base pay,
4 which would ultimately drive up costs to the company and
5 its customers.

6
7 **Q.** Are there other reasons to reject Mr. Kollen's LTIP
8 proposal?

9
10 **A.** Yes. Mr. Kollen has presented no evidence that denying
11 cost recovery of the LTIP element of the company's total
12 compensation program will not harm the company's ability
13 to attract and retain executive team members who are
14 responsible for ensuring that the company meets its
15 obligations to its customers. His position ignores the
16 fact that LTIP costs the company incurs are a cost of
17 providing service to customers and should be paid for by
18 customers. His position also falsely presumes that Tampa
19 Electric's customers have no interest in the financial
20 health of Tampa Electric and its parent company. The LTIP
21 is a small part of the company's total compensation
22 package that properly recognizes that the financial
23 health of Tampa Electric and its parent are important to
24 the company, its employees, and its customers.

25

1 Q. On page 15 and 16 of Mr. Kollen's testimony, he states
2 that the Commission's historic practice is to disallow
3 incentive compensation expense that is tied to Financial
4 Performance Metrics and cites to certain Commission
5 Orders in support of that statement. Do you agree with
6 his characterization that the Commission has a
7 longstanding practice of disallowing such expenses?
8

9 A. No. I am not a lawyer, but I have read a number of
10 Commission Orders on incentive compensation. Although
11 there are older FPSC decisions that disallowed some
12 variable incentive compensation expenses, it appears to
13 me that the Commission's more recent practice has been to
14 consider incentive compensation expense as a reasonable
15 and effective element of total compensation expense.
16 Additionally, the Commission has recognized that
17 incentive pay is an accepted, reasonable way to structure
18 total compensation and helps control costs for the benefit
19 of customers.
20

21 Q. Are there Commission decisions that reflect these
22 policies?
23

24 A. Yes. In the recent Peoples Gas System, Inc.'s ("Peoples")
25 rate case, Docket No. 20230023-GU, the Commission found

1 Peoples' request for short-term compensation and long-
2 term compensation expense to be reasonable as part of
3 total compensation expense. Specifically, in Order No.
4 PSC-2023-0388-FOF-GU, the Commission stated that "[w]e
5 have reviewed all documentation provided by [Peoples]
6 related to its compensation and benefits plans and agree
7 with the Company that these costs are reasonable and
8 prudent."

9
10 In reaching this conclusion, the Commission noted that
11 the consumer parties in that case "did not provide an
12 objection to [Peoples'] compensation or benefits plan,
13 nor did they propose alternative options for compensation
14 and benefits, including incentive compensation." The
15 Commission's decision in the Peoples case is important in
16 this case because Peoples' LTIP and STIP have the same
17 basic design and are substantially like Tampa Electric's
18 STIP and LTIP in this case.

19
20 **Q.** Do other Commission decisions reflect a positive view of
21 variable incentive compensation programs?

22
23 **A.** Yes. Two Gulf Power Orders reflect the Commission's
24 understanding and appreciation that incentive plans can
25 benefit both customers and shareholders. In Order No. PSC-

1 1992-1197-FOF-EI, the Commission stated, "[i]ncentive
2 plans that are tied to the achievement of corporate goals
3 are appropriate and provide an incentive to control
4 costs." In Order No. PSC-2002-0787-FOF-EI, the Commission
5 found that "an incentive pay plan is necessary for Gulf
6 salaries to be competitive in the market." Further, the
7 Commission in allowing recovery, noted that Gulf's plan
8 incentivized employees to "excel" and "[w]hen the
9 employees excel, we believe that the customers benefit
10 from a higher quality of service."
11

12 **Q.** Has the Commission recently expressed a reluctance to
13 focus only on the incentive compensation component of
14 total compensation?
15

16 **A.** Yes. In Order No. PSC-2023-0103-FOF-GU (Florida Public
17 Utilities Company or "FPUC"), the Commission emphasized
18 the importance of focusing on assessing "the total
19 compensation package as a whole . . . for reasonableness,
20 as opposed to individual subparts such as incentive
21 compensation." The Commission also cited the 2002 Gulf
22 Power Company order discussed above in my testimony and
23 found that the total compensation package for FPUC was
24 appropriate and made no adjustments to salaries.
25

1 Q. Please describe Mr. Rábago's incentive compensation
2 proposals.

3
4 A. On page 49 of his testimony, Mr. Rábago proposed that the
5 company submit a plan that includes shareholder funding
6 of at least 50 percent of the incentive compensation
7 program budget. He also proposes that the revised
8 incentive compensation program (1) have a performance
9 metric for maintaining customer affordability; and (2)
10 ensure that only earnings improvements that reflect
11 measurable customer benefits qualify for inclusion the
12 program.

13
14 Q. Do you agree with his proposals?

15
16 A. No.

17
18 Q. Should the Commission reject Mr. Rábago's proposal for
19 shareholders to pay 50 percent of incentive compensation?

20
21 A. Yes. The Commission should reject Mr. Rábago's proposal
22 because sharing the cost of incentive compensation
23 between shareholders and customers does not align with
24 the fact that incentive compensation is a cost of
25 providing service to customers and should be paid for by

1 customers in their rates. His proposal also fails to
2 recognize that (1) incentive compensation programs are
3 commonly used by companies that operate in the United
4 States, (2) the company needs such plans to effectively
5 attract and retain employees that will enable the company
6 to effectively serve its customers, (3) eliminating
7 variable performance based compensation would require the
8 company to increase base pay and other fixed-cost
9 programs, which would ultimately lead to higher costs and
10 could negatively impact employee performance, and (4) as
11 explained above for the company's STIP, incentive
12 compensation plans are a powerful tool for motivating
13 employees. Mr. Rábago has presented no evidence that
14 denying cost recovery of 50 percent of the incentive
15 compensation elements of the company's total compensation
16 program will not harm the company's ability to attract
17 and retain team members who are responsible for ensuring
18 that the company meets its obligations to its customers.

19
20 **Q.** Should the Commission make recovery of incentive
21 compensation costs contingent on the plan including a
22 customer affordability metric?

23
24 **A.** No. The Commission should not tie the recovery of
25 incentive compensation costs to a customer affordability

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metric for several reasons.

First, as explained more fully in the rebuttal testimony of Tampa Electric witness Jordan Williams, the term "affordable" is difficult to define, because what is "affordable" for a customer or a group of customers is dependent on multiple factors beyond the control of Tampa Electric and individual customers, such as fuel prices, storm damage costs, the amounts customers spend on health care and insurance, and the level of social security cost of living increases. The idea of "affordability" may also be influenced by the general rate of inflation, interest rate levels, housing and transportation choices, and the amount of a good or service that is consumed and other personal spending decisions of individual customers.

Second, Mr. Rábago has not presented any analysis or proposal of how an "affordability" goal would be defined or how customer affordability would be weighed or tracked. His testimony does not explain how including "customer affordability" could reasonably be included as an effective performance metric within an incentive compensation plan.

Third, based on 2024 federal poverty guidelines, his idea

1 to focus on affordability for customers earning less than
2 400 percent of the federal poverty level would implicate
3 individuals earning less than \$60,240 and families of four
4 earning less than \$124,800. Tampa Electric does not
5 collect earnings data from its customers in the ordinary
6 course of business and does not know how many of its
7 customers' household incomes would fall below 400 percent
8 of the federal poverty level, but the number of customers
9 affected could be significant. The company is not aware
10 of any United States utility that has a program that
11 defines "low income" as less than 400 percent of the
12 federal poverty levels or generally provides a benefit to
13 customers earning less than 400 percent of the federal
14 poverty level.

15
16 Finally, incentive compensation programs include
17 operational and financial goals designed to motivate
18 employees to deliver quality services to customers,
19 improve operational efficiency, and provide a fair return
20 to investors, all of which benefits the utility's
21 customers. The concept of customer affordability is too
22 nebulous to be objective and measurable as a performance
23 measure in a utility's performance-based incentive plan.

24
25 Q. Does Tampa Electric's position on Mr. Rábago's

1 "affordability" proposal for its incentive compensation
2 plan mean that Tampa Electric is not concerned about
3 affordability?
4

5 **A.** Absolutely not. As noted in the direct testimony of Tampa
6 Electric witness Jordan Williams, Tampa Electric has
7 proposed a senior low-income program in this case. As
8 explained by Tampa Electric witness Karen Sparkman, the
9 company helps customers connect to means-based utility
10 bill payment assistance when possible. Some of the ways
11 the company manages its operations to promote the long-
12 term cost-effectiveness of its service are explained in
13 the rebuttal testimony of Tampa Electric witness Jeff
14 Chronister.
15

16 **Q.** Should the Commission require the existing earnings
17 targets in the plan to be tied to customer benefits?
18

19 **A.** No. The Commission should not require the existing
20 earnings or financial targets in the STIP to be tied to
21 customer benefits because the STIP's current objectives
22 represent a good balance of operational and financial
23 goals that result in measurable customer benefits. Sixty-
24 five percent of the incentives reflected in the company's
25 STIP reflect goals in operational areas such as safety,

1 employee engagement and retention, customer service,
2 reliability, cyber security, and fleet efficiency, all of
3 which provide direct benefits to customers. Only 35
4 percent of the goals are financial, and as previously
5 noted, the financial health of Tampa Electric and its
6 parent are important to the company, its employees, and
7 its customers. The company's financial goals actually
8 promote long-term affordability of the company's electric
9 rates by focusing employees on cost control and
10 operational efficiencies, both of which help moderate
11 upward pressure on customer rates.

12 13 **III. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN EXPENSE**

14 **Q.** What is the Supplemental Executive Retirement Plan
15 ("SERP")?

16
17 **A.** A SERP is a nonqualified retirement plan.

18
19 **Q.** What purpose does it serve?

20
21 **A.** SERPs are provided to some executives based on market
22 studies for the purpose of ensuring that the company's
23 participating executives are compensated at market and
24 similar to the way other executives with like
25 responsibilities and duties are compensated.

1 Fundamentally, a SERP is provided as an attraction and
2 retention tool to ensure a high caliber workforce at the
3 executive level.

4
5 **Q.** How many active Tampa Electric team members and retired
6 team members participate in the SERP?

7
8 **A.** The company has no actively employed participants. As of
9 February 2024, the SERP participants included eight former
10 executives of Tampa Electric and TECO Energy and four
11 beneficiaries of former executives of Tampa Electric and TECO
12 Energy.

13
14 **Q.** On page 19 of his testimony, Mr. Kollen recommends that
15 the company's request to include SERP expense in the base
16 revenue requirement be rejected. Do you agree with his
17 recommendation to disallow \$0.107 million (or \$107,000)
18 in SERP expense for the test year?

19
20 **A.** No. The company's SERP is one component of an overall
21 compensation and benefits package designed to recruit and
22 retain talented, highly motivated, and effective
23 executive leadership. Additionally, the company ensures,
24 through benchmarking, that a SERP is reasonable to
25 maintain a particular executive at the market median for

1 their position and level. Therefore, no adjustment should
2 be made to the SERP expense.

3
4 **IV. SUMMARY**

5 **Q.** Please summarize your rebuttal testimony.

6
7 **A.** My rebuttal testimony explains why the Commission should
8 not adopt the proposals of witnesses Kollen and Rábago on
9 incentive compensation and the SERP. With the exception
10 of OPC's position on the company's SERP, which is a
11 \$107,000 issue, neither witness challenged the company's
12 proposed total compensation level in 2025 as
13 unreasonable.

14
15 Tampa Electric's goal is to set total compensation levels
16 for its employees (the total of base pay, short-term
17 variable incentive, and long-term variable incentive) at
18 the median (middle) of the market, and its total
19 compensation was 99.5 percent of the market median as of
20 December 2023. This shows that our total compensation for
21 the 2025 test year, which was based on reasonable
22 escalations of 2023 actuals, is reasonable.

23
24 The company's STIP, LTIP, and SERP are reasonable and
25 prudent elements of the company's total compensation and

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benefits package and should be included for cost recovery in the 2025 test year as part of the company's reasonable and prudent total compensation expense.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the foregoing rebuttal testimony have been served by posting on a shared document site, hand delivery of a USB drive or by electronic mail on this 2nd day of July, 2024 to the following:

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