

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET NO. 130040-EI**

IN RE: TAMPA ELECTRIC COMPANY'S  
PETITION FOR AN INCREASE IN BASE RATES  
AND MISCELLANEOUS SERVICE CHARGES



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**DIRECT TESTIMONY AND EXHIBIT  
OF  
BRAD J. REGISTER**

DOCUMENT NUMBER-DATE

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**OF**  
**BRAD J. REGISTER**

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1                                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                                   **PREPARED DIRECT TESTIMONY**

3                                   **OF**

4                                   **BRAD J. REGISTER**

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

7  
8   **A.**   My name is Brad J. Register. My business address is 702  
9           N. Franklin Street, Tampa, Florida 33602. I am employed  
10          by Tampa Electric Company ("Tampa Electric" or "company")  
11          as Director - Compensation and Benefits.

12  
13   **Q.**   Please provide a brief outline of your educational  
14          background and business experience.

15  
16   **A.**   I received a Bachelor of Science degree in Electrical  
17          Engineering in 1985 from the University of South Florida  
18          in Tampa, Florida. I have been employed by Tampa  
19          Electric for 27 years, working predominately in positions  
20          in the areas of Energy Delivery, Telecommunications,  
21          Facilities, and most recently in Human Resources.

22  
23          In 2007, I accepted a position in Human Resources as  
24          Director - Employee Relations, where I became responsible  
25          for a variety of employee related functions including all

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1 labor relations matters. In 2009, I became Director -  
2 Compensation and Benefits, responsible for all benefit  
3 programs including compensation, defined benefit pension,  
4 retirement savings (401k), healthcare, training and  
5 development. In 2010, I assumed responsibility for the  
6 payroll function as well. In 2012, the training and  
7 development function was transferred to the company's  
8 Employee Relations group.

9  
10 I am a registered professional engineer in the State of  
11 Florida. I also hold a Senior Professional in Human  
12 Resources certification from the Society for Human  
13 Resource Management.

14  
15 **INTRODUCTION**

16 **Q.** What is the purpose of your direct testimony?  
17

18 **A.** The purpose of my direct testimony is to provide an  
19 overview of the gross payroll and benefits expense as  
20 shown in Minimum Filing Requirements ("MFR") Schedule C-  
21 35, and demonstrate the reasonableness of Tampa  
22 Electric's forecasted gross payroll and benefits expense  
23 of \$297,279,135 for 2014. My direct testimony also  
24 supports MFR Schedules C-8, C-17, C-41 and F-8.  
25

1 Q. Have you prepared an exhibit for presentation in this  
2 proceeding?

3  
4 A. Yes, I am sponsoring Exhibit No. \_\_\_\_ (BJR-1) entitled  
5 "Exhibit of Brad J. Register", that was prepared under my  
6 direction and supervision and consists of the following  
7 ten documents:

8 Document No. 1 List of Minimum Filing Requirement  
9 Schedules Sponsored or Co-Sponsored by  
10 Brad J. Register

11 Document No. 2 Total Annual Compensation Analysis for  
12 Exempt and Non-Covered/Non-Exempt  
13 Benchmarked Positions (2012)

14 Document No. 3 Merit Budget History - Exempt (2008-  
15 2013)

16 Document No. 4 Merit Budget History - Non-Covered/Non-  
17 Exempt (2008-2013)

18 Document No. 5 Utility Comparison - Total Salaries and  
19 Wages as a Percent of Operations and  
20 Maintenance Expense (2011)

21 Document No. 6 IBEW and OPEIU Historical Base Wage  
22 Adjustment (2008-2013)

23 Document No. 7 2011 BENVAl Study - Entire Benefit  
24 Program (Excludes Team Member  
25 Contributions)

1 Document No. 8 2011 BENVAl Study - Medical and Dental  
2 (Excludes Team Member Contributions)  
3 Document No. 9 Average Healthcare Cost per Active Team  
4 Member (2008-2012)  
5 Document No. 10 2011 BENVAl Study - Defined Benefit and  
6 Defined Contribution (Excludes Team  
7 Member Contributions)

8  
9 **Q.** What is Tampa Electric's basic philosophy with respect to  
10 its team members (employees)?

11  
12 **A.** Tampa Electric's vision is to be a values-driven,  
13 results-focused company that is respected by its  
14 constituents which includes team members, customers,  
15 shareholders, the communities it serves and various  
16 governmental authorities. The company's core values are  
17 Safety, Integrity, Respect and Concern for Others,  
18 Achievement with a Sense of Urgency and Customer Service.  
19 Tampa Electric's vision is accomplished through engaged,  
20 motivated, talented team members who deliver results in a  
21 cost-effective and innovative manner. The company's  
22 workforce is built and maintained using a strategy of  
23 attraction, retention and development with the following  
24 areas of focus:

25 • Selection and promotion of talented, dedicated team

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members.

- Competitive fixed and variable compensation programs.
- Competitive benefits package.
- Alignment of team member development with company and individual career goals.
- Integration of Human Resource policies and procedures which value team members.

This focused philosophy provides Tampa Electric with a workforce dedicated to controlling costs and driving key performance metrics throughout the organization.

**Q.** What is Tampa Electric's projected total compensation and benefits cost and projected team member count for 2014?

**A.** As outlined in MFR Schedule C-35, Tampa Electric's total compensation and benefits cost is projected to be \$297,279,135 for 2014. The average number of team members projected for 2014 is 2,455.

**Q.** What actions has Tampa Electric taken since its last base rate proceeding, filed in Docket No. 080317-EI, to control headcount?

**A.** Tampa Electric is committed to serving its customers by



1 delivering reliable electric service in a cost-effective  
2 manner. This effort is driven by all team members  
3 working in both operations and support functions  
4 throughout the company, continually looking for ways to  
5 drive efficiency into the business. Staffing levels are  
6 one area of emphasis given the significant contribution  
7 of payroll and benefits to the company's overall costs.  
8 As such, all department leaders are expected to consider  
9 the need to fill a vacancy when one occurs. In order to  
10 ensure the company's continued focus on managing staffing  
11 levels, officer approval is required for every headcount  
12 addition. Tampa Electric's 2014 test year includes an  
13 average headcount of 2,455. This staffing level is  
14 nearly 100 positions below Tampa Electric's average team  
15 member headcount of 2,538 in 2008 and the 2,548 positions  
16 approved by the Commission for the 2009 test year in  
17 Tampa Electric's last base rate proceeding, in the final  
18 Order PSC-09-0283-FOF-EI issued on April 30, 2009 in  
19 Docket No. 080317-EI. This decreased staffing level  
20 occurred during a time period when the company has  
21 continued to add infrastructure to reliably support both  
22 existing and new customers.

23  
24 The most significant contributor to this headcount  
25 reduction took place in mid-2009 when TECO Energy, Inc.

1           undertook a reorganization of its Florida operations  
2           including both Tampa Electric and Peoples Gas System  
3           ("Peoples Gas") in order to maintain a reasonable and  
4           prudent cost profile at both utilities. This action was  
5           taken after analyzing the results of the final Tampa  
6           Electric 2008 base rate proceeding order while  
7           considering a number of critical factors including the  
8           continuing economic uncertainty, energy sales declining  
9           in stark contrast to the energy sales increases projected  
10          in Tampa Electric's 2008 base rate proceeding, and our  
11          continuing desire to maintain a lean and efficient  
12          operation.        Because of this effort, the Florida  
13          operations were streamlined and integrated to capture  
14          efficiencies and synergies throughout the entire  
15          organization. This integration led to a net reduction of  
16          169 positions at Tampa Electric without adversely  
17          affecting service to our customers. All areas and levels  
18          of the organization were affected, excluding front line  
19          personnel.

20  
21       **Q.**    What are the objectives of Tampa Electric's total  
22            compensation and benefits programs?

23  
24       **A.**    Tampa Electric's compensation and benefits programs are  
25            designed to build and maintain a dedicated work force by

1 competitively rewarding individuals compared to national  
2 and local markets. Specifically, the company's  
3 compensation program strives to drive success throughout  
4 the organization through a competitive compensation  
5 structure for each position targeting the market median  
6 (50<sup>th</sup> percentile) for total annual compensation based on  
7 job duties and responsibilities. Market median is  
8 predominately used as a compensation best practice and is  
9 advantageous over the mean or average since the median is  
10 less sensitive to outliers in market data.

11  
12 Total annual compensation includes both a fixed component  
13 (base salary) and a variable component (Performance  
14 Sharing Program or "PSP"). The use of a variable  
15 compensation component helps control fixed compensation  
16 costs by putting a portion of total annual compensation  
17 at risk thus allowing Tampa Electric to react to market  
18 conditions while focusing team members on safety,  
19 productivity, efficiency, cost containment, reliability  
20 and customer service.

21  
22 **Q.** Are Tampa Electric's total compensation and benefits  
23 costs reasonable?

24  
25 **A.** Yes. Tampa Electric benchmarks both compensation and

1 benefits costs on a regular basis against various market  
2 sources to ensure reasonableness. Cost control measures  
3 continue to be a major focus throughout the company.  
4

5 **COMPENSATION**

6 **Q.** What resources does Tampa Electric use to evaluate its  
7 compensation programs?  
8

9 **A.** Tampa Electric uses a number of nationally recognized  
10 resources to evaluate and benchmark its compensation  
11 programs. For managerial, professional, and technical  
12 positions, national compensation market data is typically  
13 used since the local labor pool does not always provide  
14 an adequate candidate pool for these types of positions.  
15 For administrative positions, local compensation market  
16 data is typically used since there is an adequate  
17 candidate pool available locally. Both general and  
18 utility specific market data are used as appropriate,  
19 depending on the type of position, since the company's  
20 workforce encompasses multi-industry talents. Skilled  
21 labor positions, covered by International Brotherhood of  
22 Electrical Workers ("IBEW") Local Union 108, are  
23 benchmarked during each collective bargaining agreement  
24 ("CBA") negotiation using southeastern utilities as the  
25 comparable group. The CBA is the contract between the

1 union and the company that governs working conditions  
2 including wage scales, working hours, training, health  
3 and safety, overtime, grievance mechanisms and rights to  
4 participate in workplace or company affairs.

5  
6 The primary sources of compensation data relied on by  
7 Tampa Electric include the following providers:

- 8 • Towers Watson, a leading global professional services  
9 company in the area of human resources.
- 10 • WorldatWork, a global nonprofit human resources  
11 association of more than 30,000 professionals and  
12 organizations focused on compensation, benefits, and  
13 human resources management.
- 14 • Mercer, a leading global human capital advisory firm.  
15 Mercer is also TECO Energy, Inc.'s independent actuary,  
16 401k administrator and healthcare consultant.
- 17 • AonHewitt, a leading global provider of risk  
18 management, insurance and reinsurance brokerage, and  
19 human resource solutions and outsourcing services.  
20 AonHewitt is also TECO Energy, Inc.'s Funded Benefit  
21 Committee's investment advisor.
- 22 • EAP Data Information Solutions, LLC, a provider of cost  
23 effective and timely compensation and benefits support  
24 services to the Energy Services Industry (used for  
25 technical craft job benchmarking).

1 • Steven Hall & Partners Executive Compensation, an  
2 independent compensation consulting firm, specializing  
3 exclusively in the areas of executive compensation,  
4 board remuneration and related corporate governance  
5 issues. Steven Hall & Partners is also TECO Energy,  
6 Inc.'s Board Compensation Committee consultant.  
7

8 **Q.** How does Tampa Electric's total annual compensation  
9 program compare to the market?  
10

11 **A.** Tampa Electric's total annual compensation levels are  
12 slightly below the market median. A detailed  
13 benchmarking analysis of total annual compensation (fixed  
14 and variable) is performed on an annual or biennial basis  
15 for a core group of jobs defined as "benchmark jobs" to  
16 determine Tampa Electric's position compared to the  
17 market. The benchmark jobs include both exempt and non-  
18 covered/non-exempt ("NC/NE") jobs that provide an exact  
19 match between market data and a Tampa Electric job. This  
20 type of benchmarking analysis is standard throughout the  
21 industry. The most recent analysis, completed for 2012,  
22 included market data from Towers Watson, Mercer and EAP  
23 Data Information Solutions. Document No. 2 of my exhibit  
24 demonstrates that Tampa Electric has maintained its  
25 average total annual compensation for benchmarked exempt

1 and NC/NE jobs slightly below the market median (50<sup>th</sup>  
2 percentile).

3  
4 As demonstrated in Document No. 3 and No. 4 of my  
5 exhibit, Tampa Electric's salary budget percentage used  
6 in its annual merit pay program has averaged below key  
7 market indices over the period 2008 to 2013. In  
8 addition, the percent increase for each individual year  
9 has predominately been at or below the average rates of  
10 key market indices.

11  
12 Finally, Document No. 5 of my exhibit demonstrates the  
13 appropriateness of Tampa Electric's total salaries and  
14 wages as compared to a number of other utilities in the  
15 Southeast as reported in the Federal Energy Regulatory  
16 Commission ("FERC") Form-1 annual report for 2011. This  
17 analysis focuses on total salaries and wages as compared  
18 to total operations and maintenance expense and is  
19 expressed as a percentage. Document No. 5 of my exhibit  
20 demonstrates Tampa Electric's relative position at the  
21 median as compared to this benchmark group for 2011.

22  
23 **Q.** Are the level of salaries and wages appropriate  
24 considering the recent economic downturn and current  
25 unemployment levels?

1     **A.**    Yes.    One of the many challenges facing the utility  
2            industry, including Tampa Electric, is attracting and  
3            retaining a qualified workforce.  A significant portion  
4            of Tampa Electric's workforce consists of the following  
5            types of employees:

- 6            •     Technical/professional team members, many of whom  
7                 are in jobs requiring a college degree.
- 8            •     Highly skilled craft team members most of whom were  
9                 trained in-house through various on the job and  
10                classroom training programs.

11

12            Without competitive salaries and wages, the company would  
13            lose many well-qualified and talented team members and  
14            have a difficult time attracting prospective talent.  
15            Excessive turnover would be costly and negatively affect  
16            service to our customers.

17

18     **Q.**    Describe Tampa Electric's annual merit pay process.

19

20     **A.**    Tampa Electric's annual merit pay process is designed to  
21            provide team members an opportunity to earn an increase  
22            in base salary each year, in order to reward performance  
23            and to stay competitive with market compensation levels.  
24            This process is closely tied to Tampa Electric's  
25            performance management system, which requires team member



1 performance to be monitored and documented throughout the  
2 year. At the end of each year, a final performance  
3 review is conducted with each team member, resulting in  
4 an overall performance rating. Following the year-end  
5 performance review, supervisors recommend an appropriate  
6 merit adjustment for each non-covered team member within  
7 their organization. These recommendations are then  
8 approved by each higher level of management through the  
9 officer level.

10  
11 The first step in the annual merit pay process is  
12 establishing a salary increase budget based on market  
13 data. The following factors are then considered to  
14 determine each team member's eligibility for and level of  
15 merit increase:

- 16 • Available merit increase dollars as a percentage of  
17 total company base salaries. The overall merit  
18 increase percentage is approved by senior management  
19 based on a recommendation from Human Resource  
20 personnel, who predominately use the projected average  
21 salary increase percentage from the most recent  
22 WorldatWork Salary Budget Survey as the data source.
- 23 • Final overall performance review rating.
- 24 • Team member's current base salary relative to the  
25 market for their position's grade level.

- 1           • Appropriateness of a merit increase. Depending on the  
2           individual situation, recently hired team members,  
3           recently promoted team members, or team members not  
4           performing at or above the overall rating of effective  
5           may not receive a merit increase during the annual  
6           merit pay process.

7  
8           Based on these factors, a team member may receive a merit  
9           award in the form of a base salary increase, a merit  
10          award in the form of a one-time lump sum payment, a  
11          combination of the two, or no merit increase.

12  
13          Team members covered by a CBA do not participate in Tampa  
14          Electric's merit process. The company vigorously  
15          negotiates with each union during each contract cycle,  
16          and an annual base wage adjustment is normally included  
17          in the final overall agreement. Document No. 6 of my  
18          exhibit summarizes the base wage adjustments for each  
19          union during the period 2008 to 2013. Given that the  
20          base wage adjustment for IBEW Local Union 108 for 2013 is  
21          not yet known and the base wage adjustments for both IBEW  
22          Local Union 108 and OPEIU Local Union 46 for 2014 are not  
23          yet known, a three percent increase was used in the  
24          company's budget projections for 2013 and 2014. Three  
25          percent represents the final year base wage adjustment in

1 each current CBA and provides a reasonable budget  
2 assumption until the next CBA is negotiated. The current  
3 IBEW base wage amounts are valid through March 31, 2013.  
4 Tampa Electric and IBEW Local Union 108 are currently in  
5 contract negotiations and expect to reach a final  
6 agreement on a new CBA sometime in April. The current  
7 OPEIU base wage amounts are valid through December 31,  
8 2013. Negotiations with OPEIU Local Union 46 will take  
9 place in the fourth quarter of 2013.

10  
11 **Q.** Describe Tampa Electric's Performance Sharing Program.

12  
13 **A.** PSP is the same basic variable compensation reward  
14 program as the company's Success Sharing program that was  
15 approved as part of the company's 1992 and 2008 rate  
16 cases. The program was re-named after the company's  
17 reorganization in 2009 as part of a goal to bring  
18 consistency to all of the compensation and benefit  
19 programs covering the company's Florida team members  
20 (Tampa Electric, Peoples Gas, and TECO Energy, Inc.).  
21 PSP provides for a potential annual incentive payout  
22 based on achieving key operational and financial goals.  
23 The intent of the program is to maintain Tampa Electric's  
24 position relative to the market in total annual  
25 compensation while putting a portion of this pay "at

1 risk" to drive and motivate team members to achieve high  
2 levels of performance. Overall, the program emphasizes  
3 safety, cost control and resource optimization through a  
4 link with business performance and personal  
5 contributions. PSP goals are established at the  
6 beginning of each year, and therefore, the specific goals  
7 for 2014 have not yet been determined. However, 2014  
8 goals are expected to be consistent with the 2013 PSP  
9 goals, which include the following targets:

10 • Limit the company-wide Occupational Safety and Health  
11 Administration ("OSHA") recordable incidence rate to  
12 0.80 or less. This normalized rate is calculated by  
13 multiplying the number of OSHA recordable incidents  
14 times 200,000 then dividing by the number of team  
15 member hours worked. This results in an incidence rate  
16 equivalent to the number of recordable incidents per  
17 100 team members working for an entire year.

18 • Achieve near miss reports totaling at least 6,200.  
19 Given the operating environment most utility team  
20 members experience on a daily basis, the company  
21 developed the Near Miss program to encourage team  
22 members to recognize potential hazards in their day-to-  
23 day jobs and to eliminate these hazards before the  
24 occurrence of a safety incident. This program also  
25 provides the company with a method to document events

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which have a safety learning opportunity so that other team members can benefit by these safety related experiences.

- Complete at least ten LEAN projects. LEAN projects are continuous improvement efforts that are broad in nature and usually address inter-department processes.
- Develop and implement four customer-centric solutions that support the improvement of customer satisfaction in reliability, price, customer solutions and corporate citizenship.
- Achieve a 100 percent team member skill gap analysis. Develop a strategy and project plan to close any skill gaps.

The PSP target payout included for cost recovery in the company's rate request is five percent for most team members. The target portion of PSP includes goals related to safety, process improvements, customer satisfaction and team member skill or knowledge enhancement. An additional seven percent potential payout relates to financial performance, but it is not included in the company's rate request. The average actual payout for PSP for the period 2008 to 2012 was 4.54 percent with a range of 2.0 percent to 10.19 percent.

1 For officers and key employees, the PSP target payout  
2 included for cost recovery in the company's rate request  
3 varies by position and level but maintains total annual  
4 compensation at the market median for the exempt employee  
5 group and includes both operational and financial  
6 components. In Tampa Electric's 2008 rate proceeding  
7 Final Order No. PSC-09-0283-FOF-EI, issued on April 30,  
8 2009 in Docket No. 080317-EI, operating expenses were  
9 reduced for the portion of incentive compensation tied  
10 directly to TECO Energy Inc.'s results. While the  
11 regulated companies make up the large majority of TECO  
12 Energy Inc.'s diversified interests, and incentives tied  
13 to the parent company are highly dependent on the  
14 operating performance of Tampa Electric, the company  
15 acknowledges that a small fraction of incentive  
16 compensation is tied to the performance of a non-  
17 regulated affiliate. As such, consistent with the  
18 methodology adopted by the Commission in the prior rate  
19 case, \$947,000 of Tampa Electric officer and key employee  
20 target incentives directly related to TECO Energy, Inc.  
21 results have been excluded from the company's 2014 test  
22 year rate request. This includes 100 percent of  
23 incentive compensation for officers and 20 percent for  
24 key employees. Any payout above target levels is not  
25 included in the company's rate request and is self-funded

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based on exceeding net income targets for that year.

**BENEFITS**

**Q.** Describe Tampa Electric's benefits package.

**A.** Tampa Electric's benefits package is designed to maintain a competitive position within the market in order to attract, retain, and develop competent and qualified team members. These benefits include a comprehensive package including health and welfare benefits, retirement and post-employment benefits, various employer provided benefits required by law and other miscellaneous benefits.

Employer provided benefits that are required by law include social security taxes, Medicare taxes, federal and state unemployment taxes and workers' compensation insurance. Other miscellaneous benefits include long-term stock based compensation, tuition assistance, service awards, carry-over vacation liability and adoption assistance.

**Q.** What is Tampa Electric's projected benefits cost for 2014?

1 **A.** Tampa Electric's total benefits cost is projected to be  
2 \$81,242,375 in 2014 with the following breakdown:

- 3 • Health and welfare \$25,826,000
- 4 • Retirement and post-employment \$29,481,000
- 5 • Various benefits required by law \$19,333,605
- 6 • Other miscellaneous benefits \$ 6,601,770

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

10  
11 **A.** Tampa Electric uses the Towers Watson BENVAL study, a  
12 nationally recognized and accepted actuarial tool that  
13 compares the value of a company's overall benefit plan  
14 and its various components with other companies' plans  
15 contained within the Benefits Data Source - United States  
16 database. Specially, Tampa Electric used the 2011 Energy  
17 Services BENVAL revenue grouping B as its comparator  
18 group. This group includes 15 utility companies with  
19 revenues in the range of \$1.5 billion to \$6.0 billion.

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



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

10  
11 As shown in Document No. 7 of my exhibit, Tampa  
12 Electric's BENCAL Index score for its total benefit  
13 program is 91.3 for non-union (Exempt and NC/NE) team  
14 members and 90.7 for union team members. Both are below  
15 the index average of 100. This means that the company's  
16 total benefit program is below the average while still  
17 providing a value that is competitive within the  
18 industry.

19  
20 **HEALTHCARE BENEFITS**

21 **Q.** What is Tampa Electric's projected healthcare cost for  
22 the test year?

23  
24 **A.** Tampa Electric's total 2014 healthcare cost, including  
25 medical and dental expenses, is projected to be

1           \$20,072,200 for active team members and \$9,413,000 for  
2           post-retirement benefits based on the actuarial  
3           healthcare expense associated with both active team  
4           members and current retirees.

5  
6           **Q.** How does Tampa Electric's healthcare plan compare to  
7           industry standards?

8  
9           **A.** As shown in Document No. 8 of my exhibit, based on the  
10          results from the Towers Watson BENVAL study, Tampa  
11          Electric's relative value index score for medical and  
12          dental is 94.0 for non-union (Exempt and NC/NE) team  
13          members and 88.2 for union team members. Both are below  
14          the index average of 100. This means that the company's  
15          medical and dental plans are below the average while  
16          still contributing to an overall benefits program that is  
17          competitive within the industry. Tampa Electric's  
18          medical and dental plan index score is below the average  
19          driven predominately by the elimination of retiree  
20          medical for new hires effective April 1, 2010.

21  
22          **Q.** What has been Tampa Electric's experience in managing its  
23          healthcare costs?

24  
25          **A.** Tampa Electric recognizes that healthcare costs continue

1 to be a major expense within its benefits program. As  
2 such, the company strives each year to provide team  
3 members with a quality medical and dental offering that  
4 is competitive in the market while recognizing the  
5 importance of controlling the company's expense growth in  
6 this area. The company is committed to controlling  
7 healthcare spending while minimizing plan design changes  
8 that are reductions in coverage and increases in the cost  
9 share paid by team members.

10  
11 **Q.** What specific initiatives has Tampa Electric pursued to  
12 control its healthcare costs?

13  
14 **A.** Healthcare cost control is a key strategic initiative for  
15 Tampa Electric. The company considers the appropriate  
16 design and administration of its healthcare programs each  
17 year. In 2009, Tampa Electric implemented a full  
18 replacement of its medical plan offerings for active team  
19 members with two new consumer driven health plan options.  
20 These new options drive team member healthcare engagement  
21 by putting more responsibility and flexibility into the  
22 hands of team members to ensure that they make the most  
23 appropriate, cost-effective decisions when it comes to  
24 their healthcare.

25

1 Aggressive vendor management and a number of cost control  
2 initiatives have also helped to control the rising cost  
3 of healthcare for Tampa Electric for both active team  
4 members and retirees. These initiatives include the  
5 following changes:

- 6 • Elimination of the retiree medical subsidy for new  
7 hires effective April 2010. New hires now only have  
8 future access to retiree medical plans and must pay the  
9 full cost to participate.
- 10 • Implementation of various prescription drug programs  
11 over the last ten years, including mandatory generics  
12 when available over brand drugs, mandatory mail order  
13 over retail and preferred step therapy when various  
14 cost drugs are available to treat an illness.
- 15 • Implementation of a step therapy program for radiology  
16 services through the company's medical plan  
17 administrator.
- 18 • Implementation of an Employee Group Waiver Plan for  
19 post-65 retiree prescription drug coverage beginning  
20 January 2013.
- 21 • Joining the Mercer Pharmacy Benefit Manager Collective  
22 for prescription drugs in 2012.
- 23 • Participation in the federal Early Retiree  
24 Reimbursement Program subsidy.
- 25 • Participation in the federal Retiree Drug Subsidy

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program through 2012.

- A comprehensive wellness program that includes recognition of the importance of safety initiatives on the overall welfare of team members.
- Continuation of disease management programs for the most prevalent chronic diseases among the company's medical plan participants.

These changes have contributed to Tampa Electric healthcare costs per employee for active team members remaining below the national average between 2008 and 2012. Document No. 9 of my exhibit demonstrates Tampa Electric's average healthcare cost per active team member compared to the national average based on Mercer survey data.

For 2014, Tampa Electric's medical and dental costs for active team members are projected to be \$20,072,200 or \$8,176 per team member. In the company's 2008 rate proceeding, the projected 2009 test year medical and dental expense approved by the Commission was \$7,397 per team member. This is a 10.5 percent increase per team member over the five year period or an average increase of 2.1 percent per year. This is well below the national average medical trend according to PricewaterhouseCoopers

1 ("PWC"). PWC reports that the national medical cost  
2 trend between 2009 and 2013 averaged an increase of 7.4  
3 percent per year with no plan changes, or 5.8 percent per  
4 year including plan changes. During this period, Tampa  
5 Electric's medical expense increase for active employees  
6 was significantly less than the national average with  
7 only one minor plan design change in 2011.

8  
9 **Q.** What factors are driving the substantial increases in  
10 healthcare costs projected to occur over the next few  
11 years in the U.S.?

12  
13 **A.** There are a number of factors influencing the continuing  
14 rising cost of health care in the United States. In  
15 September 2012, the Bipartisan Policy Center ("BPC")  
16 released a new report, "What is Driving U.S. Health Care  
17 Spending? America's Unsustainable Health Care Cost  
18 Growth." The BPC is a Washington, D.C. based think tank  
19 actively promoting bipartisanship and was founded in 2007  
20 by four former Senate Majority Leaders. It focuses on  
21 issues related to health care, energy, national and  
22 homeland security, transportation and the economy.

23  
24 The 2012 BPC report identified the following key cost  
25 drivers:

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- Aging population growth.
- Fee-for-service reimbursement that generates a strong incentive to perform a high volume of tests and services.
- Fragmentation of care delivery, where providers are paid for volume rather than patient outcomes.
- Administrative burdens resulting from a complex system of payment and delivery.
- A rapid increase in the number of individuals affected by chronic diseases.
- Medical technology advances that can both increase health system efficiency and encourage unnecessary utilization of expensive treatments.
- Unit prices that continue to increase throughout the U.S.
- Medical malpractice concerns causing many physicians to significantly drive up costs by ordering unnecessary tests and treatments.

In addition to the cost drivers outlined in the BPC's report, Tampa Electric has been exposed to several other significant factors affecting health care cost increases which are worthy of mention. They include the following:

- The implementation of government mandates like the 2010 Patient Protection and Affordable Care Act.

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- Continued focus on direct consumer advertising especially by pharmaceutical companies.
- Increased utilization and pricing of prescription drugs especially in the specialty drug category.
- Physician and hospital groups leveraging their size to maximize their profits in negotiations with insurance companies, *i.e.*, third party administrators and network providers for self-insured plans.

**Q.** What is the impact of these cost factors that you have identified on Tampa Electric's future healthcare costs?

**A.** Given the cost control initiatives discussed previously, the impact of these cost factors results in projected Tampa Electric active and post-retirement medical and dental benefits expense of \$29,485,200 for 2014. This represents an increase over the 2013 budgeted expense of 4.4 percent and a decrease of 9.6 percent from Tampa Electric's 2009 test year projection in Docket No. 080317-EI.

**PENSION AND RETIREMENT SAVINGS BENEFITS**

**Q.** What is Tampa Electric's projected retirement expense for pension and retirement savings in the test year?



1 **A.** The total projected retirement expense for 2014 is  
2 \$20,068,000. The pension plan (Defined Benefit) expense  
3 is \$14,495,000 and is based on Mercer's actuarial study.  
4 The retirement savings plan or 401k (Defined  
5 Contribution) company match expense is \$5,573,000 and is  
6 based on internal projections of 401k team member  
7 contributions and the resulting fixed company match.

8  
9 **Q.** How does Tampa Electric's pension plan and retirement  
10 savings plan compare to industry standards?

11  
12 **A.** Tampa Electric offers both a defined benefit pension plan  
13 and a defined contribution retirement savings plan as  
14 part of its overall benefits package. The company's  
15 defined benefit plan for new hires utilizes a pension  
16 equity formula based on age and service credits for each  
17 year of employment and final average earnings. The  
18 pension equity formula was adopted in 2001, replacing a  
19 more expensive traditional pension plan formula. Tampa  
20 Electric's defined contribution plan is a traditional  
21 401k plan. As shown in Document No. 10 of my exhibit,  
22 based on the results from the Towers Watson 2011 BENVAl  
23 study, Tampa Electric's relative value index score for  
24 the combination of the defined benefit and defined  
25 contribution plans is 76.6 for non-union (Exempt and

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NC/NE) team members and 81.0 for union team members. Both are below the index average of 100. This means that the company's defined benefit and defined contribution plans are below the average while still contributing to an overall benefits program that provides a competitive value within the industry. Tampa Electric's defined benefits and defined contribution index score is below the average driven predominately by the company's retirement savings plan (401k) fixed company match.

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

**A.** Yes. It is routine, necessary, and an accepted business practice at Tampa Electric and in the electric utility industry to rely on reports prepared by an independent actuary to establish pension and post-retirement benefit expense and funding amounts. Tampa Electric's pension cost is computed as part of the annual TECO Energy, Inc. actuarial valuation performed by Mercer in accordance with Financial Accounting Standards Board ("FASB") standards.

**Q.** How are Tampa Electric's pension benefit costs calculated, taking into account pension-related common

1 costs allocated from the parent company, TECO Energy,  
2 Inc.?

3  
4 **A.** Most of Tampa Electric's pension costs, including  
5 projected benefit obligation, service cost and interest  
6 cost components, are computed directly based on the  
7 demographics of the company's actual team members and  
8 retirees. Other components, such as expected return on  
9 assets and amortization of gains or losses, use an  
10 allocation method to allocate TECO Energy, Inc.'s total  
11 expense across its subsidiaries. Expected return on  
12 assets and amortization of gains or losses are computed  
13 for each company based on their beginning of the year  
14 allocated assets, allocated contributions, and expected  
15 benefit payments. Asset values are brought forward each  
16 year based on allocated contributions, actual benefit  
17 payments and actual return on assets allocated pro rata  
18 based on beginning of the year asset values. As a  
19 result, each TECO Energy, Inc. company receives its  
20 appropriate and equitable share of expected return on  
21 assets and amortization of gains or losses. This method  
22 of determining Tampa Electric's pension cost is  
23 reasonable, fair and equitable and results in no cross-  
24 subsidization of cost between Tampa Electric and its  
25 affiliates.

1 Q. Do the actuarial assumptions and methods provide a  
2 reasonable basis for determining the level of pension  
3 costs to be included in the company's operating cost?  
4

5 A. Yes. The actuarial assumptions and methods are  
6 reasonable and consistent with FASB standards and  
7 industry practice and provide a reasonable basis for  
8 determining the level of pension cost included in Tampa  
9 Electric's cost of service studies.  
10

11 **AGING WORKFORCE**

12 Q. What specific initiatives has Tampa Electric pursued to  
13 address the aging workforce?  
14

15 A. The aging workforce is an important issue facing most  
16 utilities across the nation. Tampa Electric views the  
17 "graying" of the workforce as an issue that needs to be  
18 proactively addressed with more specific emphasis in  
19 certain areas of the company. The areas of technology  
20 and the skilled trades are of particular concern. The  
21 company implemented the following initiatives over the  
22 past few years:

- 23 • Continuation of a comprehensive succession plan for  
24 leadership and technical positions identified as  
25 strategic or critical to the continued success of the

- 1 company. Over the past two years, this included a  
2 comprehensive talent review of every director-level and  
3 manager-level team member to discuss career aspirations  
4 and potential for succession.
- 5 • Established a goal in 2012 for 100 percent of all  
6 exempt and NC/NE team members to have an active  
7 Individual Development Plan.
  - 8 • Developed a pilot knowledge-transfer program, using  
9 technology to capture and store technical information  
10 and knowledge from a small number of the most critical  
11 technical positions.
  - 12 • Targeted-mentoring, cross-training, management level  
13 development programs and job rotation programs.
  - 14 • Continuation of a four-year apprentice program for  
15 developing and transferring knowledge and skills  
16 acquired by journeyman linemen.
  - 17 • Establishment of a Skills Training group within the  
18 Energy Supply business unit for technical training.  
19 This effort is similar to the long established  
20 technical training group within the Energy Delivery  
21 business unit.
  - 22 • Continuation of a partnership with Hillsborough  
23 Community College to further develop the company's  
24 skilled workers (e.g., linemen) by granting college  
25 credit for in-house training programs. The credits can

1           be applied to the Associate in Applied Science Degree  
2           in Industrial Management.

3           • Partnerships with several local colleges and  
4           universities for classes at Tampa Electric's Skills  
5           Training Center to facilitate ease of attendance.

6

7   **Q.**   Have Tampa Electric's efforts in dealing with an aging  
8           workforce been reviewed recently?

9

10   **A.**   Yes.   In its June 2011 report entitled *Review of the*  
11           *Aging Workforce of the Florida Electric Industry*, the  
12           Commission's Office of Auditing and Performance Analysis,  
13           citing a number of Tampa Electric's initiatives in this  
14           area, concluded that the company has proactively taken  
15           steps to address the risks associated with the aging  
16           workforce.   The staff further determined that the  
17           company's succession planning efforts are also adequate.

18

19   **SUMMARY**

20   **Q.**   Please summarize your direct testimony.

21

22   **A.**   My direct testimony outlines the major aspects of Tampa  
23           Electric's compensation and benefits programs.   Tampa  
24           Electric's total compensation and benefit costs are  
25           projected to be \$297,279,135 in 2014 and are both

1 reasonable and prudent based on market comparisons. The  
2 company's workforce strategy is to attract, retain and  
3 develop motivated, skilled team members who are dedicated  
4 to controlling costs and driving key performance metrics  
5 while supporting Tampa Electric's core values: Safety,  
6 Integrity, Respect and Concern for Others, Achievement  
7 with a Sense of Urgency and Customer Service. Tampa  
8 Electric continues to aggressively manage its healthcare  
9 programs in order to maintain annual cost increases at  
10 rates below the national average. From a compensation  
11 standpoint, Tampa Electric maintains fixed and variable  
12 compensation at or just below the market median,  
13 providing a means to competitively reward team members  
14 while controlling compensation-related costs.

15  
16 Overall, Tampa Electric's total compensation and benefits  
17 philosophy has served the company and its customers well.  
18 Moving forward, Tampa Electric must continue to provide  
19 similar levels of compensation and benefits in order to  
20 stay competitive within the marketplace. This is  
21 necessary to retain the company's current high performing  
22 team members and attract similar new team members in the  
23 future. The 2014 projected level of compensation and  
24 benefits expense is reasonable and necessary to  
25 accomplish this goal.

1 Q. Does this conclude your direct testimony?

2

3 A. Yes, it does.

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TAMPA ELECTRIC COMPANY  
DOCKET NO. 130040-EI  
WITNESS: REGISTER

EXHIBIT

OF

BRAD J. REGISTER

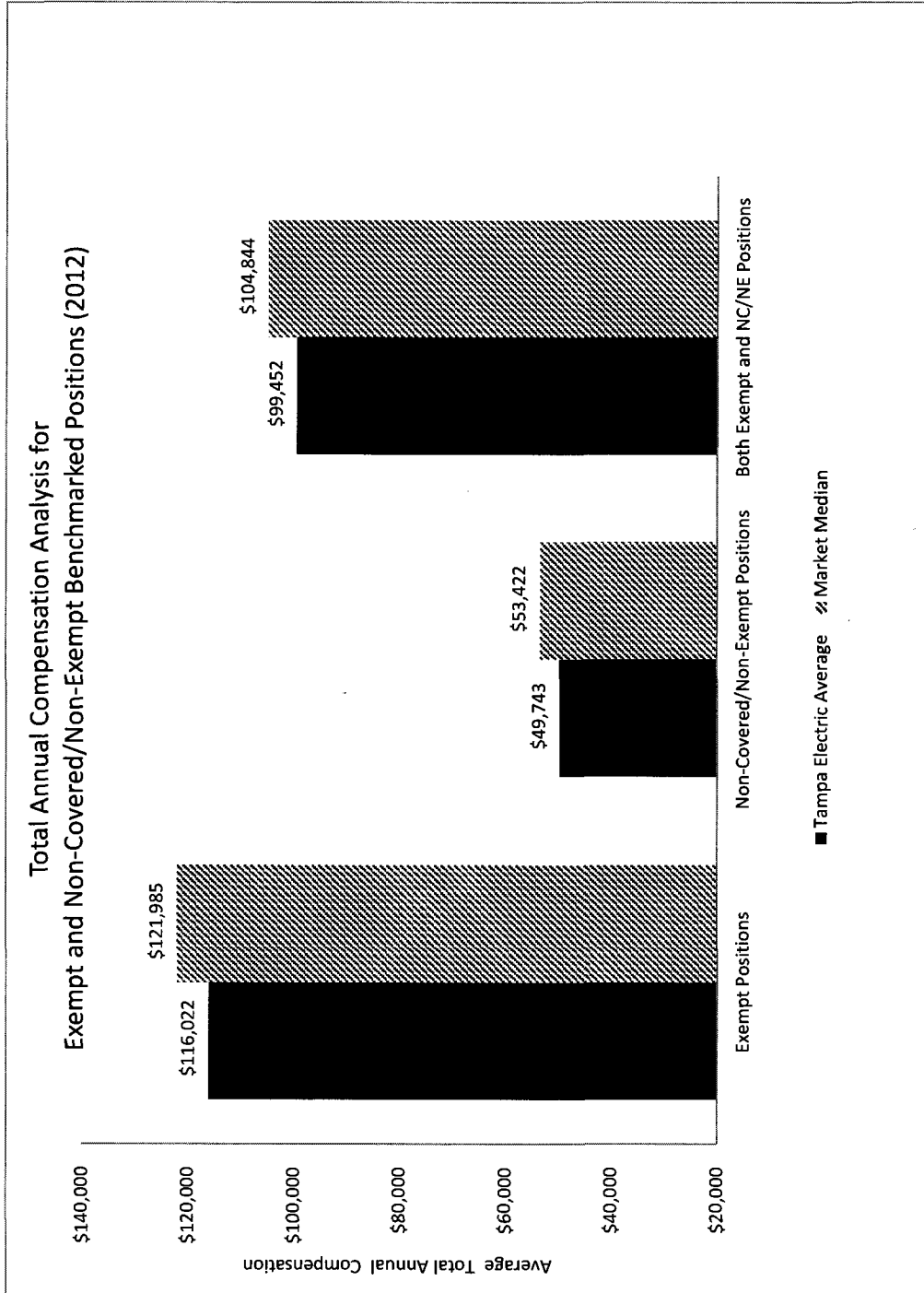
**Table of Contents**

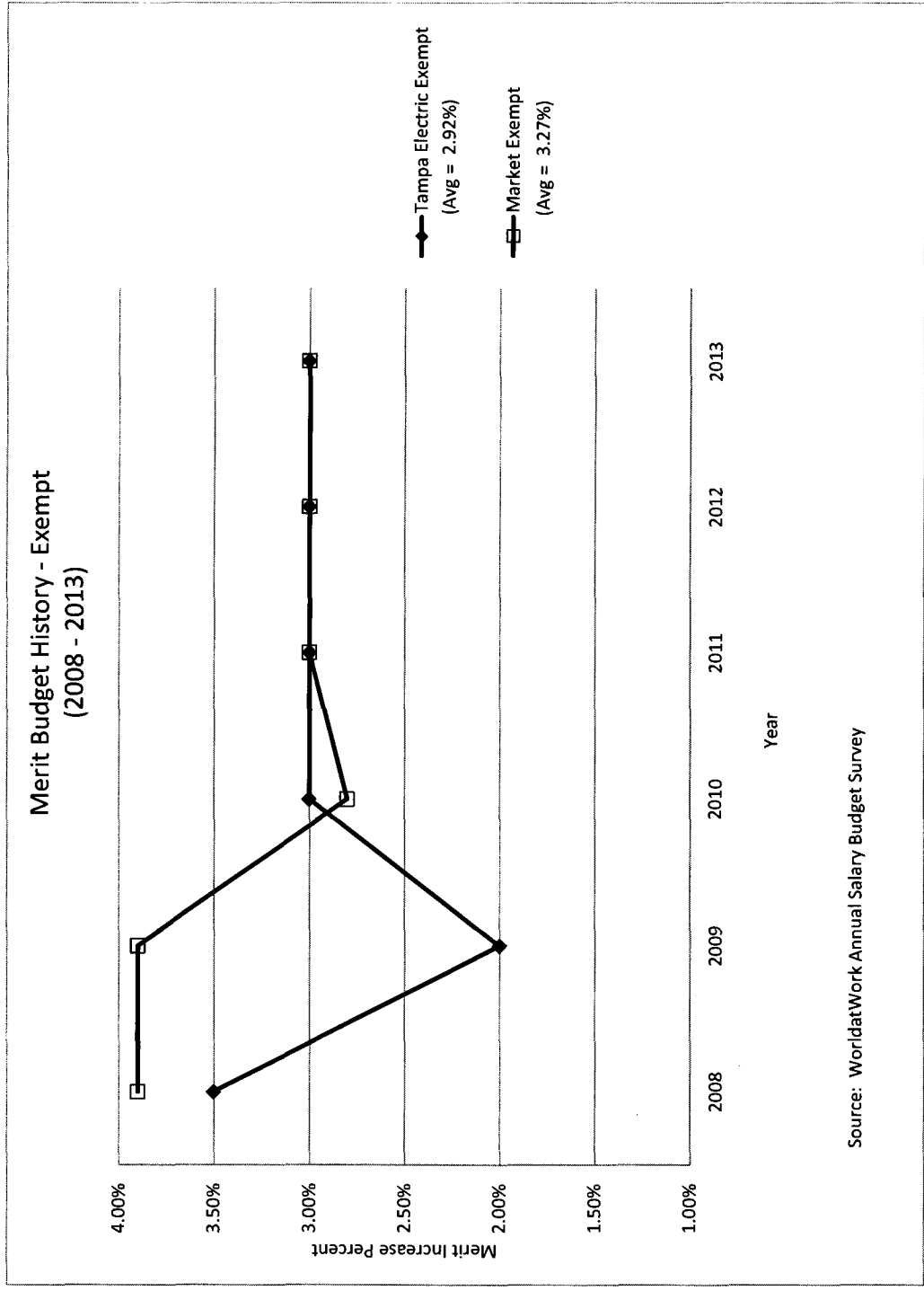
DOCUMENT NO.	TITLE	PAGE
1	List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored By Brad J. Register	40
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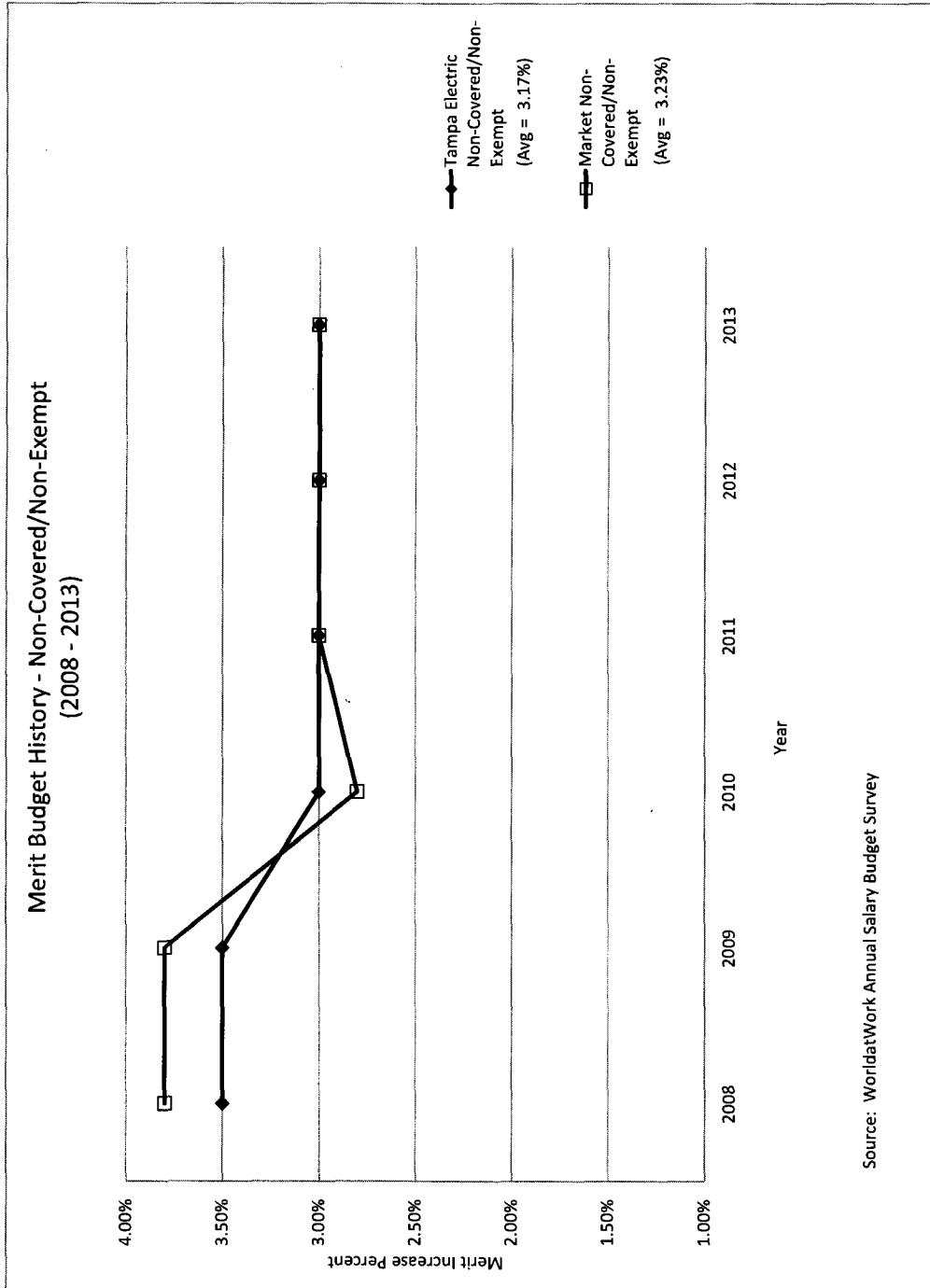
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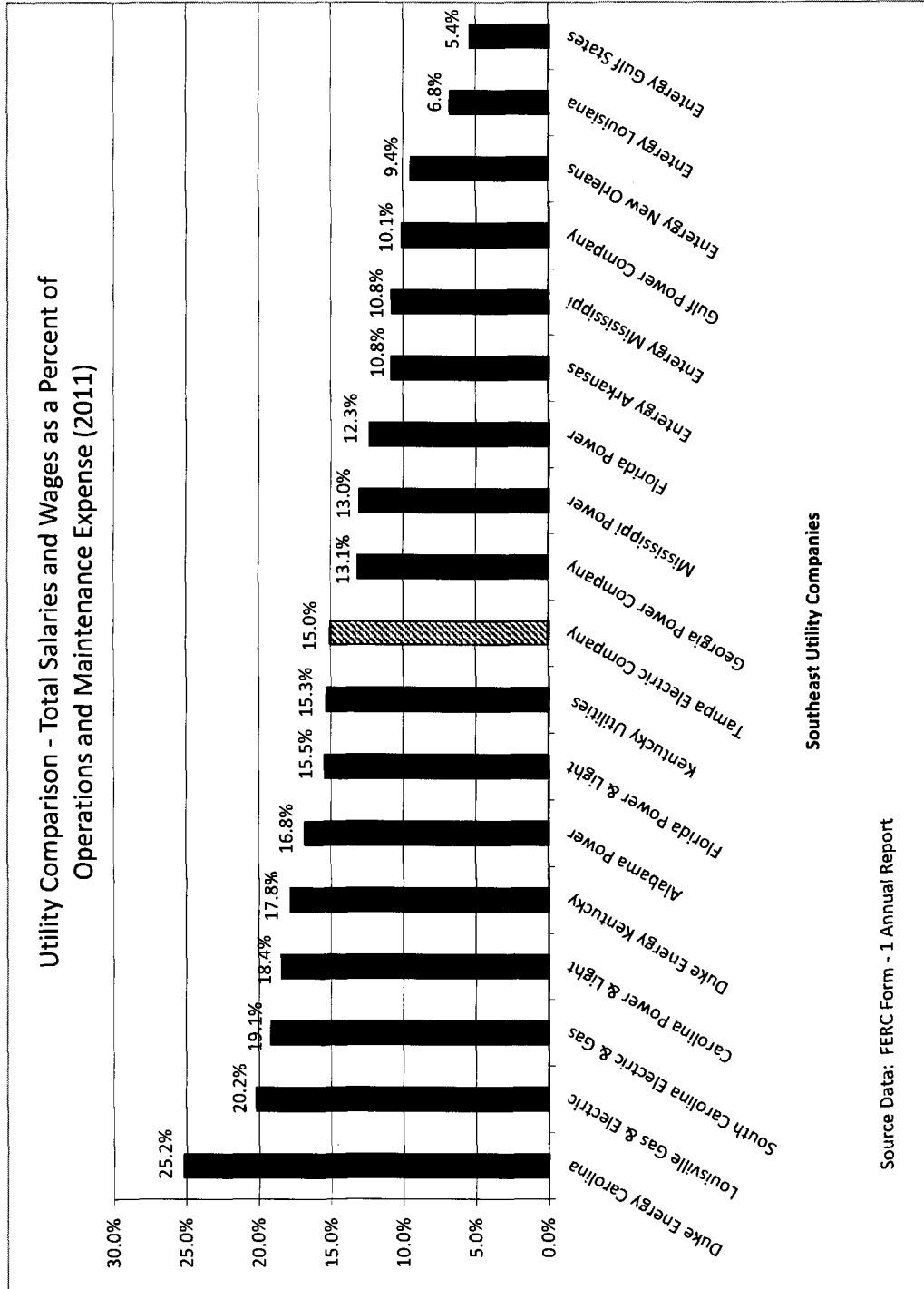
LIST OF MINIMUM FILING REQUIREMENT SCHEDULES  
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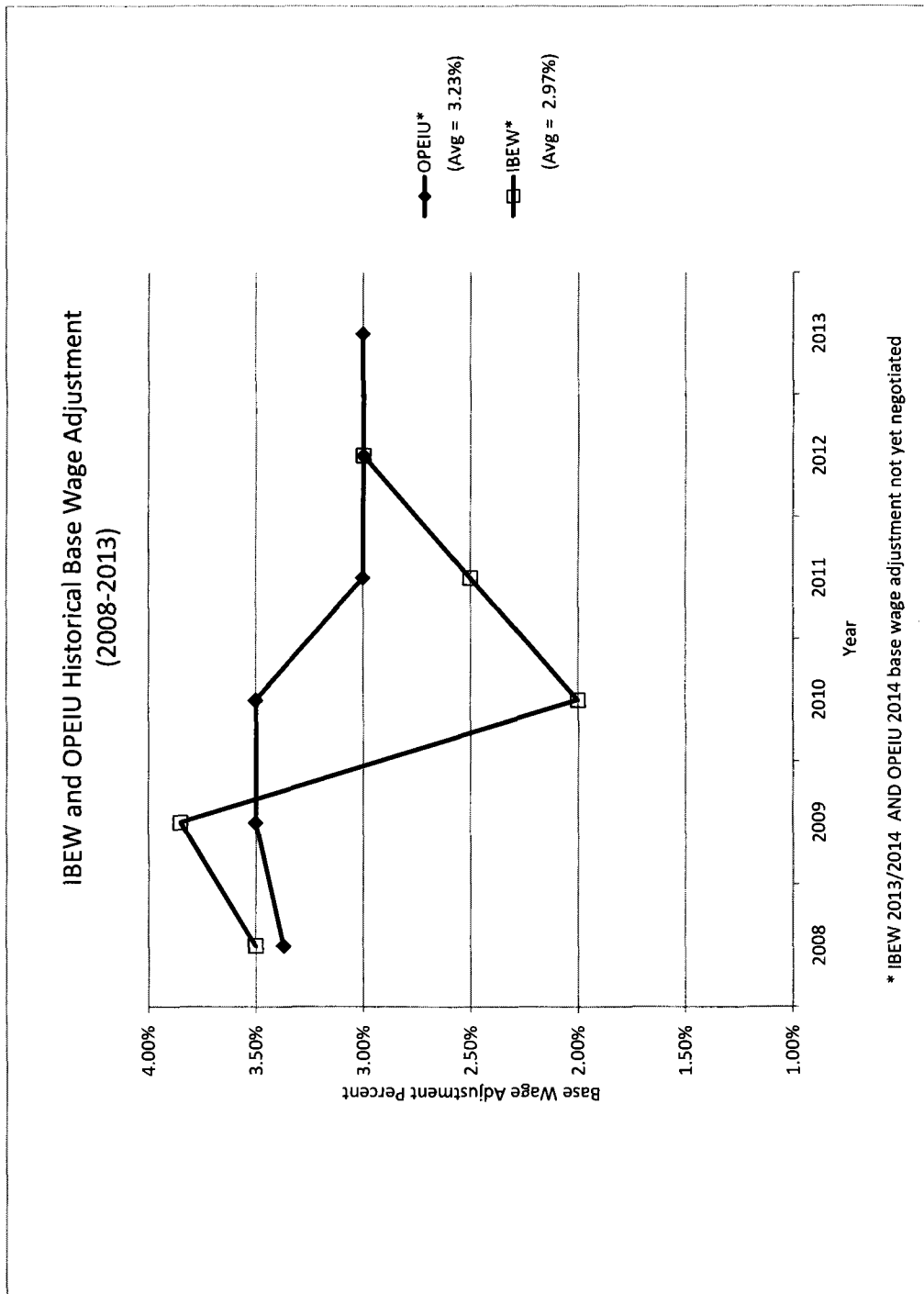
MFR Schedule	Title
C-8	Detail of Changes in Expenses
C-17	Pension Cost
C-35	Payroll and Fringe Benefit Increases Compared To CPI
C-41	O&M Benchmark Variance By Function
F-8	Assumptions



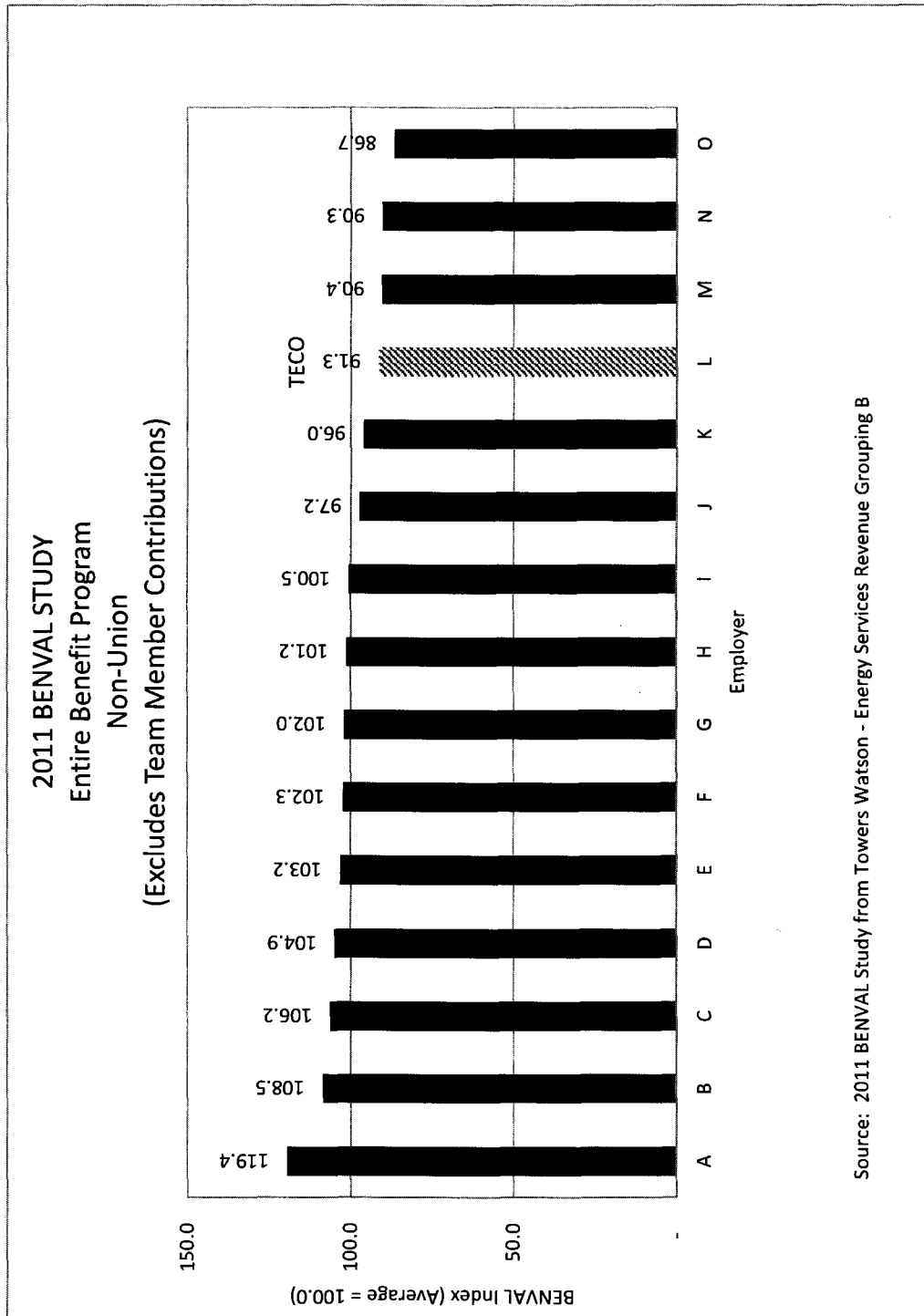


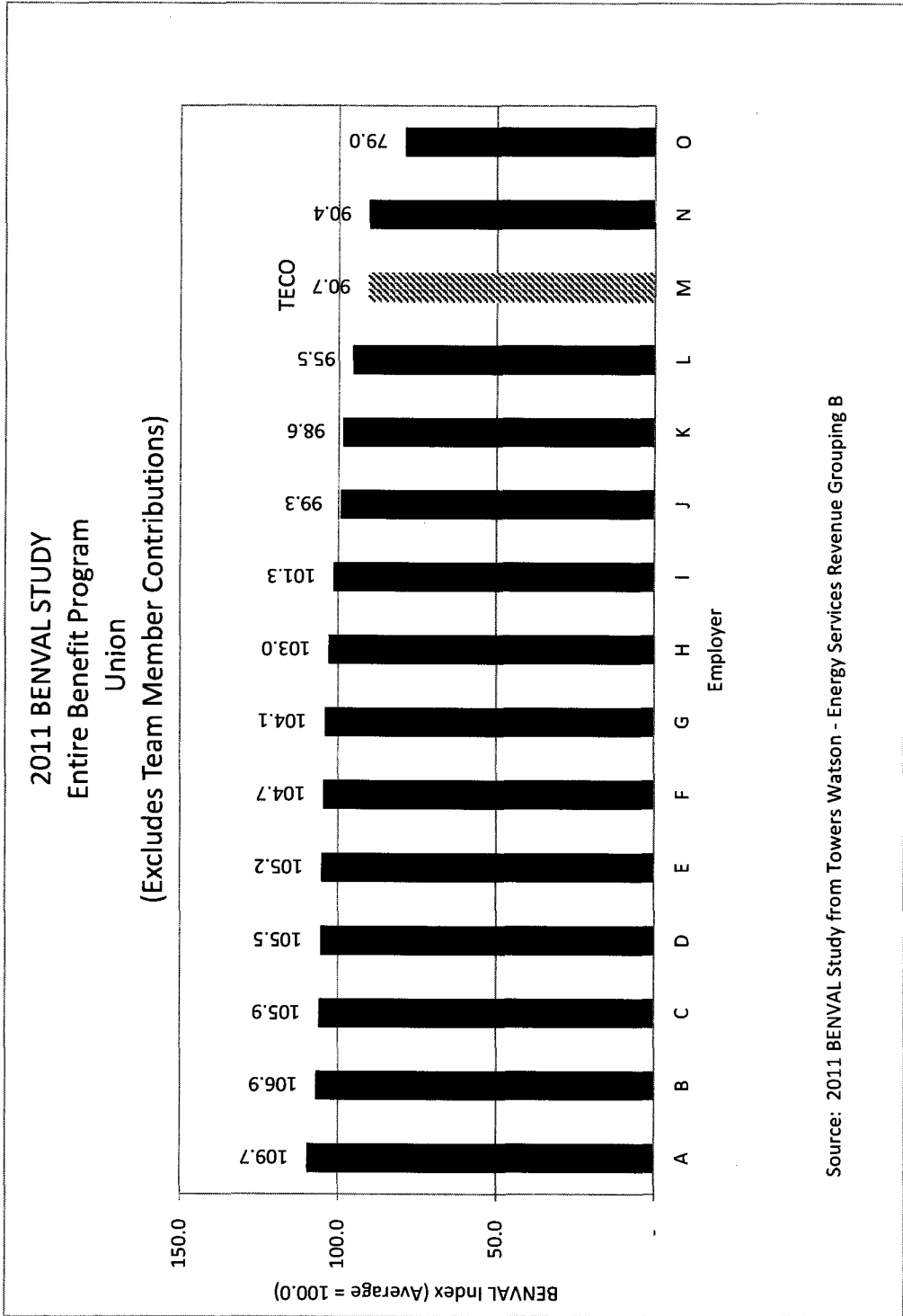




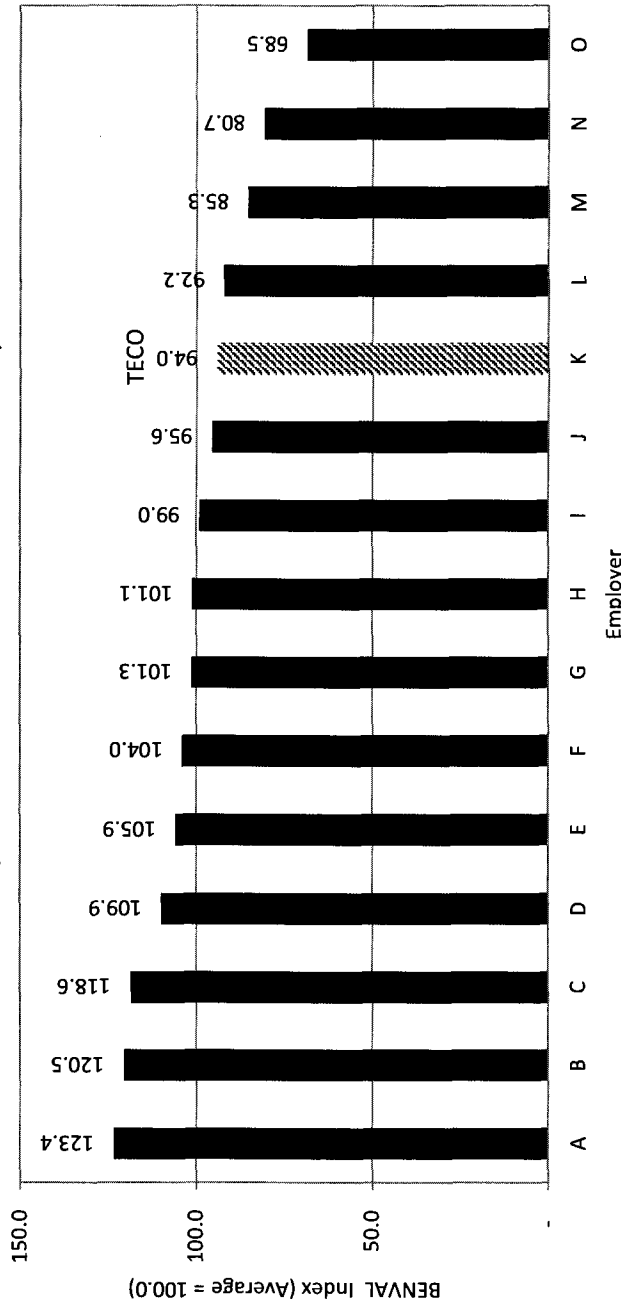




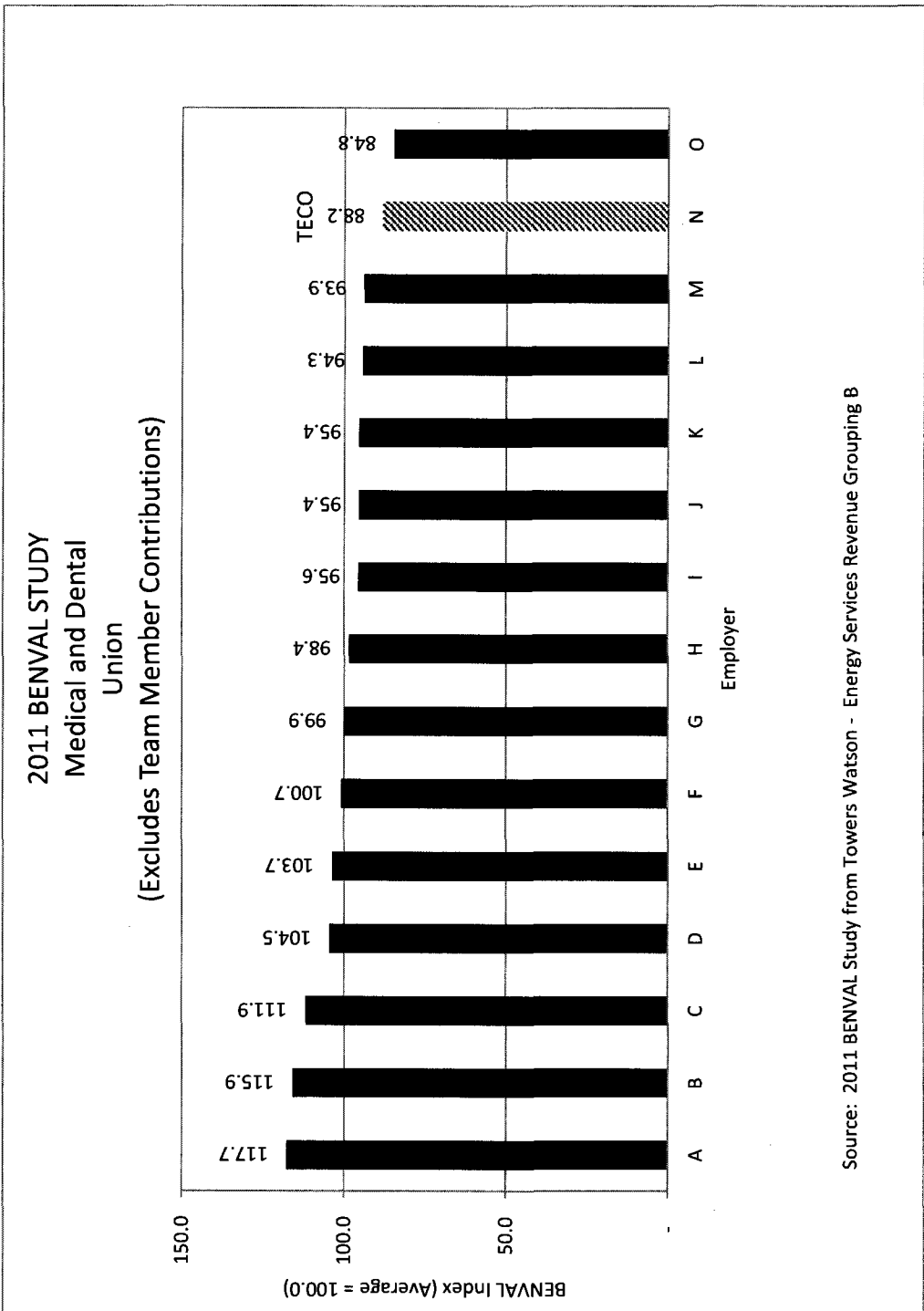




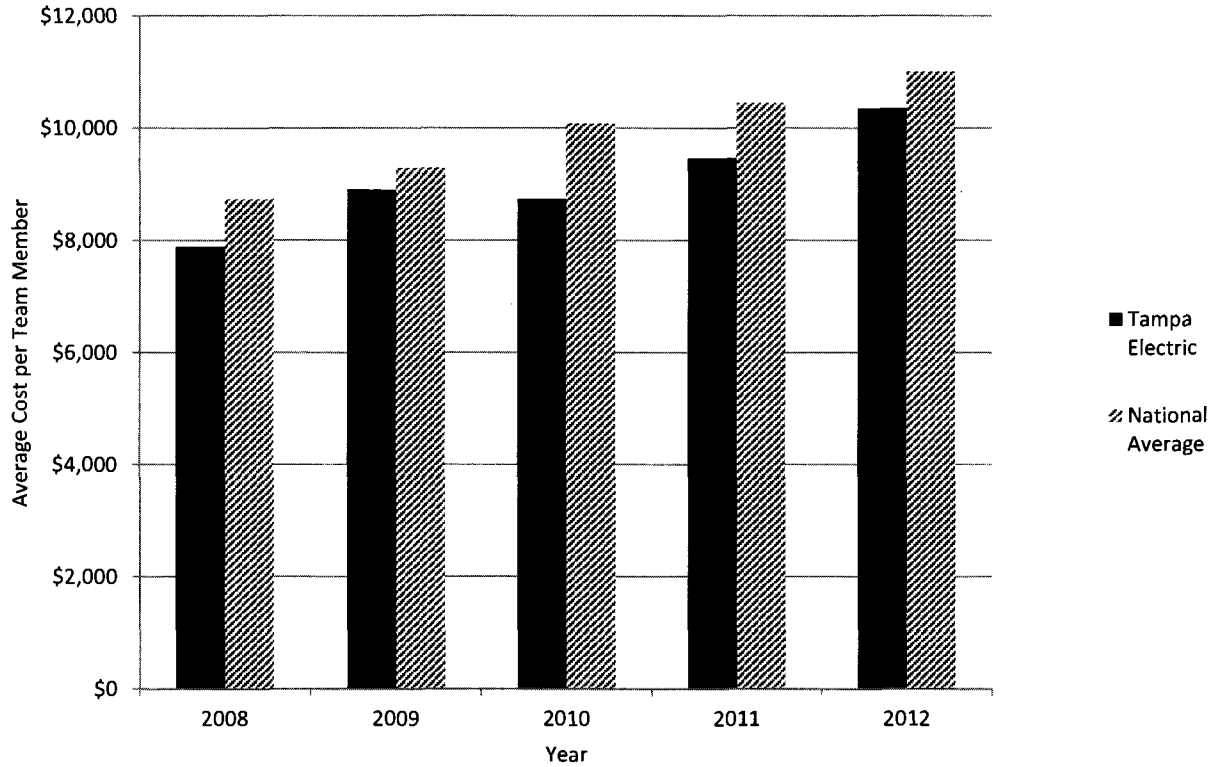
2011 BENVAL STUDY  
 Medical and Dental  
 Non-Union  
 (Excludes Team Member Contributions)



Source: 2011 BENVAL Study from Towers Watson - Energy Services Revenue Grouping B



### Average Healthcare Cost per Active Team Member (2008-2012)



Source: Mercer - All Surveyed National Employers with 500+ Team Members. Includes claims costs and administrative costs for active team members. Includes both company and employee contributions covering medical, dental, prescription drug, and mental health.

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