BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

Petition for rate increase by Tampa Electric Company.
DOCKET NO. 20240026-EI

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

VOLUME 7 - PAGES 1298 - 1558

PROCEEDINGS:	HEARING
COMMISSIONERS PARTICIPATING:	CHAIRMAN MIKE LA ROSA COMMISSIONER ART GRAHAM COMMISSIONER GARY F. CLARK COMMISSIONER ANDREW GILES FAY COMMISSIONER GABRIELLA PASSIDOMO
DATE:	Wednesday, August 28, 2024
TIME:	Commenced: 8:00 a.m. Concluded: 9:15 p.m.
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
TRANSCRIBED BY:	DEBRA R. KRICK Court Reporter and Notary Public in and for the State of Florida at Large
APPEARANCES:	(As heretofore noted.)

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P R O C E E D I N G S

(Transcript follows in sequence from Volume 6.)

CHAIRMAN LA ROSA: All right. A few minutes after one o'clock I think we can start to get in position to get rolling again.

So finished the last witness, so I think w are going to turn back over to TECO to introduce their next witness.

MR. WAHLEN: Thank you, Mr. Chairman. Tampa Electric calls Mr. Chris Heck.

CHAIRMAN LA ROSA: Mr. Heck, if you don't mind, before you sit down, just administering the oath.

Please, raise your right hand.

Whereupon,

CHRISTOPHER HECK

was called as a witness, having been first duly sworn to speak the truth, the whole truth, and nothing but the truth, was examined and testified as follows:

THE WITNESS: I do.

CHAIRMAN LA ROSA: Excellent. Thank you. Have a seat and settle in.

EXAMINATION

BY MR. WAHLEN:

Q Good afternoon. Would you please state your name for record?

A Christopher Heck.

Q And who is your current employer, and what is your business address?

A Tampa Electric, 702 North Franklin Street, Tampa, Florida.

Q Did you prepare and cause to be filed in this docket, on April 2nd, 2024, prepared direct testimony consisting of 35 pages?

A I did.

Q Do you have any corrections or additions to that testimony?

A I do not.

Q If I were to ask you the questions contained in your prepared direct testimony today, would your answers be the same as those written in the testimony?

A They would.

MR. WAHLEN: Mr. Chairman, Tampa Electric requests that the prepared direct testimony of Mr. Chris Heck be inserted into the record is the read.

CHAIRMAN LA ROSA: Okay. Yes.

MR. WAHLEN: Thank you.

(Whereupon, prefiled direct testimony of Christopher Heck was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

CHRIS HECK

Q. Please state your name, address, occupation, and employer.

A. My name is Chris Heck. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or the "company") as Vice President Information Technology ("IT") and Chief Information Officer.

Q. Please describe your duties and responsibilities in that position.

A. I am responsible for the company's IT leadership, vision, strategy, architecture, infrastructure, cybersecurity, and technology projects. I am also responsible for the operations and governance of data, technology systems, and procuring resources from third-party vendors. The goals of the IT department are to (1) ensure the competitiveness of the company's IT services; (2) establish cybersecurity protection measures for our business operations and customer data; and (3) manage the company's comprehensive

business continuity plan for emergencies that could affect its computing systems and operations. I report to the Chief Executive Officer of Tampa Electric.

Q. Please provide a brief outline of your educational background and business experience.

A. I graduated from Appalachian State University with a bachelor's degree in computer science and from The University of North Carolina Charlotte with a master's degree in computer science.

I have thirty-nine years of experience in the energy industry. I joined Tampa Electric in my current role in April 2023. Prior to joining Tampa Electric, I served as the Chief Digital Officer for Emera Inc. ("Emera") and the Chief Information Officer for Duke Energy.

Q. What are the purposes of your direct testimony?

A. The purposes of my direct testimony are to: (1) describe the company's IT department, the IT resources and applications Tampa Electric uses, and the company's cybersecurity strategy; (2) explain the company's continued progress in the IT area since its 2021 rate case;

and (3) demonstrate that the IT rate base amounts and operations and maintenance ("O&M") expense levels for the 2025 test year are reasonable and prudent.

Q. How does your direct testimony relate to the testimony of other Tampa Electric witnesses?

A. My direct testimony describes the company's information technology applications, including their supporting hardware, that support the company's business functions. Those applications are typically housed in either our data centers, or within a third-party cloud provider's data center. My direct testimony covers costs to operate and maintain those applications. These applications support the activities described in the direct testimony of the company's operational witnesses, including Tampa Electric witnesses Karen Sparkman, Carlos Aldazabal, Chip Whitworth, and David Lukcic. My testimony describes capital investments in technology projects that support more than one company department, while capital projects that are sponsored solely by a specific department are described in the direct testimony of the operational witnesses.

My direct testimony does not include operational technology applications and their supporting hardware, which are

described in the direct testimony of Mr. Lukcic. Mr. Lukcic's direct testimony also covers the technologies and costs related to data strategy and data governance, for both OT and IT. My testimony covers cybersecurity defenses for both IT and OT.

Q. Have you prepared an exhibit to support your direct testimony?

A. Yes. Exhibit No. CH-1, entitled "Exhibit of Chris Heck," was prepared under my direction and supervision. The contents of my exhibit were derived from the business records of the company and are true and correct to the best of my information and belief. It consists of the following two documents:

Document No. 1	List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Chris Heck
Document No. 2	Information Technology Capital Expense Summary from 2022 - 2025.

Q. Are you sponsoring any sections of Tampa Electric's Minimum Filing Requirement ("MFR") Schedules?

A. Yes, I am sponsoring or co-sponsoring the MFR Schedules listed in Document No. 1 of my exhibit.

(1) INFORMATION TECHNOLOGY OVERVIEW

IT DEPARTMENT

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

A. As noted in the direct testimony of Tampa Electric witness Archie Collins, the company's goals are: (1) to carefully and prudently manage operating expenses and capital spending to meet growing and changing needs in our service area; (2) to continuously improve the safety, reliability, and resilience of our electric system; (3) to improve efficiency in all areas of our operations; and (4) to ensure that we can continue serving customers at all times regardless of weather conditions. The company's IT department plays a vital role in supporting these areas.

Q. Please describe the company's IT department.

A. Tampa Electric's IT department consists of 202 team members. The IT department will have approximately 202 team members on average in the projected 2025 test year.

The IT department helps Tampa Electric achieve its goals

by providing several key services to the company's functional areas. First, the department provides ongoing enhancements, operations, and maintenance of IT applications for company's business areas, including Energy Supply, Electric Delivery, Customer Experience, and Corporate (Finances, HR, Procurement, IT and Legal). Second, the IT department provides the planning and execution of large technology projects to meet the strategic business objectives of those business areas. Third, the IT department operates and provides support services for the company's IT infrastructure (data centers, servers, personal computers, mobile devices), as well as for systems in third party "cloud" data centers. Fourth, the IT department plays a key role in protecting and safeguarding critical infrastructure and sensitive data from cyber threats to ensure the reliability and security of essential services. Fifth, the IT department provides strategy, architecture, and governance to ensure its assets (data, applications, infrastructure) and services work in harmony to provide outstanding customer and employee experiences.

Q. Does Tampa Electric's IT department provide services to any affiliates?

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A. Yes. Tampa Electric provides the same IT services to its affiliates Peoples Gas System, Inc. ("Peoples") and New Mexico Gas Company ("NMGC"), except the following:

- Application development and support for applications specific to Peoples or NMGC;
- IT project management for NMGC; and
- Customer relationship management and billing (CRB) support for NMGC.

All costs noted in this testimony are those charged to Tampa Electric, unless otherwise noted.

Q. Peoples operated as a division of Tampa Electric from 1997 to December 2022, and became a separate corporation and affiliate of Tampa Electric on January 1, 2023. Did this corporate change impact the Tampa Electric IT department?

A. Yes, it did. As a result of this change, Tampa Electric's IT department no longer provides application development and support services to Peoples for applications specific to their company alone. As part of this shift, 11 IT employees shifted from Tampa Electric to Peoples.

Q. Does Emera provide any IT services to Tampa Electric?

A. Yes. Emera provides Tampa Electric with high-level IT and cybersecurity policy governance. Emera also monitors and validates that its affiliates have adequate technology plans and technology controls. For cybersecurity, Emera maintains a set of standards based on the National Institute of Standards and Technology's ("NIST") Cyber Security Framework ("CSF"). Emera's Audit Services department audits all Emera affiliates to ensure compliance with these requirements. Finally, Emera coordinates third party expert reviews to ensure that the affiliates maintain compliance with these standards.

IT SUPPORT FOR FUNCTIONAL AREAS OF THE COMPANY

Q. What major IT applications support customer experience activities?

A. The core of the company's application support for customer experience activities is our Customer Relationship Management and Billing ("CRB") system, which became operational in 2017. The CRB system manages customer accounts, billing, payment, credit, and collection services. It also interfaces with other applications that collectively allow customers to contact the company by telephone, computer, and mobile devices and to interact with the CRB system without agent assistance.

Q. What major IT applications support Electric Delivery activities?

A. The IT department provides IT support services for Electric Delivery applications including the Energy Management System ("EMS"), Supervisory Control and Data Acquisition ("SCADA"), Advanced Distribution Management System ("ADMS"), Advanced Metering Infrastructure ("AMI"), Workforce Management Systems ("WMS"), Geographic Information System ("GIS"), and Street Light Vision ("SLV"). These applications are discussed in greater detail by Mr. Lukcic.

Q. What major IT applications support the company's Energy Supply activities?

A. The IT department provides IT support services for Energy Supply applications including Work & Asset Management, Lock-Out/Tag-Out ("LOTO"), Data Historian, Power Plant Controllers ("PPC"), and SCADA. Mr. Lukcic discusses these applications in further detail in his testimony.

Q. What major IT applications support Tampa Electric's Corporate Functions (Finance, HR, Supply Chain, etc.)?

A. The IT department manages the Enterprise Resource Planning ("ERP") system used by the Human Resources, Finance, and Procurement corporate functions at Tampa Electric, Peoples, and NMGC. These applications provide tools for accounting, financial planning and analysis, financial reporting, employee information, payroll, supply chain, inventory, and more. The IT department also supports a set of smaller applications for the companies, including collaboration and office productivity applications such as the Microsoft Office suite of tools, as well as data analytics and business intelligence application building tools.

Q. Please describe the company's IT Infrastructure.

A. Tampa Electric's IT Infrastructure is comprised of hardware including servers, networking equipment, personal computers, mobile devices, and other technologies.

The IT Infrastructure also includes software and applications hosted in three company data centers and on remote servers operated by third party vendors. This arrangement provides resiliency and redundancy through geographic dispersion. This resiliency will be further improved when the company relocates its primary data center

to our new Bearss Operating Center in northern Hillsborough County in 2025. This project is discussed further in the direct testimony of witness Mr. Aldazabal.

Q. Please describe the company's IT Operations Team.

A. The IT Operations Team and the company's outside IT vendors work to ensure that the company's IT Infrastructure operates reliably 24 hours a day, 7 days a week.

Q. What major applications does the IT department use to provide IT services to Tampa Electric, to manage its IT assets, and to automate its IT operations?

A. For over a decade, the IT department has used the ServiceOne application to provide IT products and services online to employees throughout Tampa Electric. This application allows the company to (1) run the IT Service Desk; (2) manage IT trouble and request tickets; (3) automate IT processes; (4) inventory and manage IT assets; and (5) automate IT processes and approvals.

CYBERSECURITY AND COMPLIANCE

Q. What cybersecurity threats and concerns influence the delivery of IT services?

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A. As the global economy becomes increasingly dependent on cyber resources, corporations like Tampa Electric are increasingly being targeted by cyberterrorists and cybercriminals. The most advanced attacks come from state-sponsored actors targeting American critical energy infrastructure, while the most frequent attacks come from profit motivated ransomware gangs. Our customers are also concerned about data privacy and expect that their service will not be disrupted by a cybersecurity event.

Q. How has the company addressed these threats and concerns?

A. Tampa Electric takes cybersecurity threats and privacy concerns very seriously. The company has a comprehensive cybersecurity program to address these threats, including a dedicated cybersecurity team of 18 full time employees. These team members are responsible for:

- Identification of cyber risks
- Assessment of cyber risks, including their potential consequences and their likelihood of occurrence
- Establishment of an order of priority for addressing identified risks
- Implementation of these prioritized actions
- Involving the company's functional areas in decision making related to cybersecurity

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- Informing internal stakeholders of cyber risk management status
- Monitoring of the effectiveness of cyber risk treatment
- Monitoring and revising the cyber risk and cyber risk management process regularly
- Collection of information to understand and improve Tampa Electric's cyber risk management approach

In completing these tasks, the company's cybersecurity team members follow national and international cybersecurity best practices and standards including the NIST CSF; NIST Special Publication 800-53 Security and Privacy Controls for Information Systems and Organizations; NIST SP 800-171 Protecting Controlled Unclassified Information in Nonfederal Systems and Organizations; NIST SP 800-181 Workforce Framework for Cybersecurity; MITRE Adversarial Tactics, Techniques, and Common Knowledge (ATT&CK); and International Organization for Standardization/ International Electrotechnical Commission 27000 series (ISO/IEC 27000) family of standards such as ISO/IEC 27001 Information Security Management Systems.

Tampa Electric also uses a Managed Security Service Provider ("MSSP") that provides 24/7 system monitoring,

including proactive alerts and responses for cybersecurity threats.

Q. Are there any cybersecurity-related laws, regulations, or standards that impose requirements on Tampa Electric's operations?

A. Yes. The company is subject to many standards and regulations addressing cybersecurity risks, such as:

- The Sarbanes-Oxley Act ("SOX")
- North American Reliability Council ("NERC") Critical Infrastructure Protection Standards ("CIP")
- NERC requirements for use of third-party solutions for the NERC Bulk Electric Cyber System Information
- Payment Card Industry Data Security Standard ("PCI DSS")
- Health Insurance Portability and Accountability Act ("HIPAA")
- Defense Federal Acquisition Regulation Supplement ("DFARS")
- Securities and Exchange Commission Rules on Cybersecurity Risk Management, Strategy, Governance and Incident Disclosure by Public Companies
- The Cyber Incident Reporting for Critical Infrastructure Act of 2022
- Federal Energy Regulatory Commission regulations on

supply chain risk management

- Updated state and federal privacy laws
- Executive order 14028: Improving the Nation's Cybersecurity

Q. Does Tampa Electric's cybersecurity program comply with these requirements?

A. Yes. Tampa Electric's cybersecurity program not only meets the minimum requirements of these rules and regulations, but in many instances goes beyond them.

(2) PROGRESS SINCE TAMPA ELECTRIC'S LAST BASE RATE CASE

Q. What changes has the company made to its major IT applications that support customer experience activities since its 2021 rate case?

A. Tampa Electric made several changes to the major IT applications that support the Customer Experience Department, including:

- Upgrades to the company's Interactive Voice response software, which allows customers to obtain service over the phone without speaking to a customer service professional.
- Updates to the online customer self-service portal to

make the portal easier to use for mobile customers.

- Implementation of a new interactive bill through the customer portal.
- Improvements to the notification and preferences management system, which allows customers to opt into notifications via email, text message, and phone calls.
- Transitioned the company's outage map from hosting at Tampa Electric's data centers to third party remote servers to improve its resiliency, accessibility, and reliability.
- Moved the company's website hosting from Tampa Electric's data centers to third-party remote servers with the capability to handle increased traffic during periods of high demand, such as storms.

The changes to these systems are also described in the direct testimony of Ms. Sparkman.

Q. What changes has the company made to IT Infrastructure and Operations since its last rate case?

A. Tampa Electric currently hosts its IT infrastructure on on-site servers, but the company is transitioning to hosting on remote servers, or "cloud-based infrastructure." This transition will benefit customers in

several ways. First, the new arrangement is cost-effective. Second, it will enhance the resiliency of the company's IT infrastructure by moving key systems to secure, geographically dispersed servers. Third, the cloud-based infrastructure will enhance our ability to recover from cyberattacks because it will include data backups that are protected from being edited, altered, or deleted. In the event of a cyberattack, the company can use these backups to restore the system.

Q. What changes has the company made to its major IT applications that support electric delivery activities since its last rate case?

A. Tampa Electric implemented two upgrades to the ADMS in 2022 and 2023. These upgrades, which were supplied by the vendor, corrected several known issues and added new functionality to support the company's AMI system.

The company also enhanced the existing Geographic Information System ("GIS") to provide a website for internal and external usage. This improved access to the system will help to increase grid reliability and resiliency.

Q. What changes has the company made to its major IT applications that support energy supply activities since its last rate case?

A. Since 2022, Tampa Electric modified the Human Machine Interface (*i.e.*, the system operator's interface to the equipment) to the SCADA systems in the company's solar sites. These changes will create consistency across all sites and enhance monitoring and control. These changes will help to improve generating capacity and increase resiliency. Tampa Electric has also completed configuration enhancements to Power Plant Controllers to increase grid stability and reliability.

The company also updated the project management system to reduce cyber security risk and increase reliability. We made enhancements to the LOTO system that allow operations to better document maintenance tasks and create work orders in a more efficient manner. The Planning & Risk system was also upgraded to reduce cyber security risk and improve long-term forecasting capabilities for solar energy and batteries.

Lastly, Tampa Electric made enhancements to the Resource Optimization application which improved its reliability

and added the capability to participate in the Southeast Energy Exchange Market ("SEEM"), which maximizes the value of available generation capacity.

Q. What changes has the company made to its major IT applications that support corporate functions activities since its last rate case?

A. Since 2022, Tampa Electric has completed the following to support corporate function activities:

(1) Upgraded the core of the SAP ERP system that supports our customer, financial, Human Resources, and Procurement business processes. These included critical bug fixes and stability improvements, enhancing system reliability, system performance and addressing cyber security vulnerabilities.

(2) Upgraded the SAP Business Warehouse and Business Objects application to ensure a more streamlined and optimized ERP data management and reporting system. This led to more informed decision-making processes for corporate operations and planning.

(3) Enhanced the process of automatically revoking system access for former employees and contractors to reinforce data security.

(4) Encrypted SAP data to safeguard sensitive information

and demonstrate our commitment to data integrity and compliance with privacy regulations.

(5) Upgraded our application integration software, which improved integration between our SAP applications and the company's various applications including integration with the Advanced Distribution Management System, and Customer Outage Map application.

(6) Migrated our internal websites from on-site servers to remote, cloud-based servers to enhance resiliency, accessibility, and capacity during high traffic times such as storms.

(3) IT 2025 RATE BASE AND O&M EXPENSES

RATE BASE

Q. How much capital did the company invest in the IT area for the period 2022 through 2024?

A. The company expects to invest $74.5 million in the IT area for the period 2022 through 2024. Document No. 2 of my exhibit shows the actual amount of IT capital spending by year for 2022 and 2023, and our forecasted amount for 2024, and the major capital projects and project amounts by year.

The projects that make up the $74.5 million are described below.

ServiceNow. The company spent $3.4 million on ServiceNow, a modern, state of the art, cloud-based IT Service Management and IT Operations Management platform.

The move to ServiceNow will allow the IT department to automate many of its processes, such as inventory management of its IT assets; routing of service requests and many of the tasks within those service requests; the commissioning and decommissioning of assets; and compliance and reporting functions.

The ServiceNow platform and the associated improvements to the IT business processes will enable the IT department to handle increasing workloads without increasing staff, improve IT system reliability, and improve cybersecurity and regulatory controls.

The move to ServiceNow is a multi-year project with key deliverables scheduled for 2024 and 2025.

IT Infrastructure Upgrades. The company spent $34.0 million for sustaining capital to replace/upgrade end of life data center hardware and software including servers, network equipment, data storage equipment, databases, and operating systems. The Department also makes purchases

throughout each year to support new applications.

These investments ensure that the company's IT Infrastructure will remain reliable and is supported by the providing vendors.

Cybersecurity. The company spent $25.4 million for cybersecurity. This investment included new and upgraded tools and processes to strengthen the company's cybersecurity protections and keep pace with the ever-increasing capabilities of cyber criminals.

NERC CIP Enhancements and Upgrades – The company spent $2.2 million on projects required to keep our NERC CIP program up-to-date and effective. The NERC CIP program protects Tampa Electric's most critical generation, transmission, distribution, and technology assets from cyber criminals. These projects include the upgrade of current software used for the management of intelligent devices located in transmission and distribution substations, which is required for NERC compliance. These projects also help the company prepare for future changes to the standards while providing Tampa Electric's customers protection against interruption of electrical services caused by cybercriminals.

SAP Enterprise Resource Planning (ERP) and Customer System Upgrades and Enhancements. The company spent $3.4 million on ERP and Customer System upgrades and enhancements. The SAP ERP and Customer Systems are a set of highly integrated applications that provide corporate and customer functionality including accounting; financial consolidation and reporting; financial analytics and planning; accounts payable/receivable; payroll; employee information database; recruiting; supply chain and inventory management; customer information database; customer billing; and customer service. These upgrades and enhancement projects keep our SAP ERP and Customer System applications up to date and secure and ensure that they retain support from SAP. This, in turn, will ensure that the company's corporate business functions operate smoothly, with accuracy, and in a timely manner.

Non-ERP Corporate Updates and Enhancements. The company spent $6.1 million to improve the applications for several corporate functions and processes including contract management; document/records management; employee websites; employee collaboration and productivity; process automation; project management; process controls; compliance; legal; real estate; and safety. These projects ensured that our team members in these areas had the tools

necessary to work effectively, efficiently, and securely.

The implementation of these projects increased the productivity of corporate functions and allowed the labor force to serve a growing workload without increases to employee count.

Q. How do these capital expenditures and the others shown on Document No. 2 benefit the company's customers?

A. As described above, these projects allow the IT department to automate and improve its business processes, to ensure the reliability and resiliency of the company's computing systems, to improve its cybersecurity defenses, to ensure compliance with existing and changing regulatory standards, and to ensure that systems are well-maintained and supported. This allows the company's corporate business functions to operate securely, smoothly, with accuracy, and in a timely manner so that the company provides customers with the secure, resilient, and reliable products and services they expect.

Q. Are the IT capital expenditures described above and shown on Document No. 2 reasonable and prudent?

A. Yes. All the expenditures shown on Document No. 2 were made after careful consideration of the company's IT needs, examination of available alternatives, and using the company's procurement practices, which are designed so we can purchase goods and services at the lowest reasonable cost. The projects shown on Document No. 2 enable the company to provide safe, reliable, resilient, and efficient electric service to customers; will be in service in our 2025 test year; and are prudent.

Q. What amount does the company plan to spend on IT projects for the 2025 test year?

A. The company plans to invest $22.9 million in 2025. The projects that make up the $22.9 million are described below and are also shown on Document No. 2 of my exhibit.

ServiceNow. The company expects to spend $0.4 million in 2025 on the ServiceNow project I previously described.

IT Infrastructure Upgrades. The company expects to spend $9.5 million in 2025 to replace or upgrade end of life data center hardware and software including servers, networking equipment, data storage equipment, databases, and operating systems. The IT Department also makes purchases

throughout the year to support new applications.

Investments ensure that the hardware and software used by Tampa Electric will continue to be reliable and retain support from the providing vendors. This enables Tampa Electric to provide reliable products and services and provide support to our customers.

Cybersecurity. The company expects to spend $7.2 million in 2025 for cybersecurity. This project will strengthen the company's cybersecurity protections and keep pace with the ever-increasing capabilities of cyber criminals.

Additionally, the company will make changes to cyber security programs that are mandated or required by regulations and compliance standards. These improvements to the company's cybersecurity program enable the company to continue to protect the confidentiality, integrity, and availability of customer information and company services.

Tampa Electric is forecasting a need to increase team members in the cybersecurity area and expects to add two additional team members in 2025. The new team members are needed to sustain the company's cybersecurity efforts and to keep pace with changes in this area.

NERC CIP Enhancements and Upgrades. The company expects to spend $1.1 million in 2025 on our NERC CIP program. We are not forecasting the need for additional team members in the IT department due to these projects or the changes to the NERC CIP standards, beyond the two additions as described in 2025 Cybersecurity projects above.

SAP Enterprise Resource Planning (ERP) and Customer System Upgrades and Enhancements. The company expects to spend $3.3 million on these projects in 2025. No labor increases or decreases are forecasted as a result of these projects.

Non-ERP Corporate Updates and Enhancements. The company expects to spend $1.4 million for 2025 on these projects.

These projects include upgrades and enhancements to applications that support key business functions, including safety, legal, regulatory, data governance, data management, real estate, security, and compliance. These improvements ensure applications are well supported by their providing vendors, are cyber secure, and meet business and compliance requirements.

Q. Once IT projects are approved, what steps does the company take to ensure that projects are "procured" at the lowest

reasonable cost?

A. The IT Department follows a formal bidding process for the purchase of all ordinary goods and services as outlined in company policies. This ensures that the company procures goods and services through an unbiased, consistent, and objective procurement process that leads to the lowest reasonable cost while maintaining necessary quality of product and effectiveness of the project. The key elements of the process are requesting formal and well-documented bids from three or more vendors, a full review of bidders' qualifications and information submitted, evaluating other factors such as location and diversity considerations, and ensuring proper level of approvals after a vendor is selected.

O&M EXPENSES

Q. What amount of IT department O&M expense is included in the projected 2025 test year and what major activities are reflected in that expense amount?

A. Tampa Electric's IT department is forecasted to incur $36.8 million of O&M attributed in the projected 2025 test year. Of this amount, (1) labor & fringe account for approximately $17.0 million or 46 percent; (2) Outside

Services (primarily application managed services and temporary staffing support) accounts for approximately $4.5 million or 12 percent; and (3) software and hardware application licensing and maintenance account for approximately $11.9 million or 32 percent. The remaining $3.4 million, or 9 percent, is comprised of items such as rent, facilities overhead, Emera allocations, and miscellaneous employee expenses and supplies.

Q. How does the projected level of 2025 O&M expense compare to actual 2022 O&M expense?

A. IT O&M expense for the 2025 test year has increased approximately $3.6 million, or a 10.84 percent increase, compared to the actual 2022 O&M expense of $33.2 million.

Q. What is the percentage increase from 2020 actual O&M expense to forecasted 2025 O&M expense and how does that compare to the Commission's O&M benchmark?

A. IT O&M expense in 2020 was $26.1 million and, after applying the Commission's O&M A&G benchmark multiplier of 35 percent, this translates to $35.2 million. The forecasted 2025 O&M expense of $36.8 million is $1.6 million, or 4.55 percent higher. The primary driver is

investments to enhance our overall cyber security posture in response to increasing cyber threats and changes to cybersecurity regulations.

Q. What major factors have contributed to the increase in O&M expenses since 2022?

A. The main reasons for the $3.6 million increase are (1) approximately $1.0 million for new cybersecurity related tools; (2) approximately $1.0 million increase in Microsoft Enterprise Agreement costs; (3) approximately $1.2 million for new technology licensing fees including ServiceNow, HR Workforce Analytics, and Contractor Lifecycle Management; (4) approximately $0.6 million for IT infrastructure; and (5) approximately $0.6 million for general inflation. These increases were partially offset by an approximately $0.8 million reduction in other cost elements, mainly outside staffing costs. There were several other smaller offsetting factors, including labor merit increases and IT management staffing level reductions.

Q. What steps has the company taken to reduce O&M expenses in IT?

A. IT has taken several steps to moderate and reduce O&M.

First, Tampa Electric secured pricing discounts on our software and hardware licensing and maintenance fees by entering into multi-year agreements. In addition to the discount, this also locks in current pricing and avoids annual inflation escalators. As renewals approach, Tampa Electric evaluates whether software subscriptions can be canceled if they are obsolete, redundant, or do not add desired value. Second, the IT Department addressed labor costs through reductions in management staffing levels and hiring third parties with specific application expertise to support certain applications (e.g., SAP expertise). Our workforce practices also include hiring of early career, entry level employees, including the use of interns and co-operative students for certain tasks. Third, the IT Department took steps to reduce outside service expenditures by securing credits and reimbursements for poor performance, discounts for early payments, and reducing staffing assigned to project initiation and management functions.

Q. Is this level of O&M expense reasonable and prudent?

A. Yes. The proposed increase in expenses for labor and outside services is reasonable and prudent given the evolving landscape of technology and utility services. The

projected level of O&M expense is necessary to continue the effective level of service the IT Department provides to Tampa Electric and its customers.

Q. What was the employee count for IT in 2022, 2023 and 2024?

A. The average employee count in IT was 200 in 2022, 196 in 2023 and 202 for 2024.

Q. What is the projected employee count for IT in 2025?

A. The average projected employee count in IT is 202 in 2025.

Q. What factors are causing the need to increase employee count?

A. Between 2022 and 2025, there was a shift of employees to other areas: 11 employees moved to Peoples and seven employees moved to the Operational Technology and Strategy department. During this period, there were three IT administration positions that retired and were not filled. These decreases were offset by an increase of 23 employees. The growth in employee count can be attributed to the following: nine employees to grow our cybersecurity team to meet the increasing complexity and volume of

cybersecurity threats to our company and the sensitive customer and employee data and critical infrastructure, seven employees to support growth in IT infrastructure scale and complexity, as well as an increase of seven employees to support growing digitalization and new technologies deployed across our grid, generating plants, and other operating facilities for the electric delivery and energy supply functions.

Q. What metrics did your team use to identify the need for additional employees, when to add them, and how many to add?

A. The company used cybersecurity metrics, including the number of vulnerabilities, changes in workload caused by changes to standards and regulations, and the quantity and complexity of cybersecurity threats, to identify the need for additional employees. Other IT metrics include utility peer benchmarks and support levels for critical applications and infrastructure.

Q. Will adding employees in IT moderate the need to pay overtime or reliance on outside service providers?

A. Yes. There is a reduction of approximately $1.0 million in

outside services for staff augmentation for IT functions.

SUMMARY

Q. Please summarize your direct testimony.

A. Tampa Electric's IT Department supports all aspects of the company, through activities including the efficient and effective maintenance and support of IT applications, the delivery of IT projects that advance Tampa Electric's business objectives, defense against cyber security risks, and the delivery of data and analytics for effective Tampa Electric operations. The amounts the company spent for IT projects since the 2021 rate case, and plans to spend through 2025, are reasonable and prudent. Tampa Electric made, or will make, these investments to support safety, reliability, resilience, improved operations, and customer experience. The company's 2025 test year capital and O&M budgets for the IT Department are reasonable and prudent, will enhance cybersecurity protection, deliver operating efficiencies, enable our move to cloud-based solutions, enable useful features and functions, and enhance the customer experience.

Q. Does this conclude your direct testimony?

A. Yes.

C8-511

BY MR. WAHLEN:

Q Mr. Heck, did you also prepare and cause to be filed with your direct testimony an exhibit marked CH-1, consisting of two documents?

A I did.

MR. WAHLEN: Mr. Chairman, Tampa Electric would note for the record that Exhibit CH-1 has been identified on the CEL as Exhibit No. 23? Is that right? Yes. 23.

CHAIRMAN LA ROSA: Okay.

BY MR. WAHLEN:

Q Mr. Heck, would you please summarize your testimony?

A I will. Thank you.

Good afternoon, Commissioners. My direct testimony has five primary objectives.

No. 1, it describes Tampa Electric's Information Technology Department and the key services it provides the company's functional areas.

No. 2, it discusses our comprehensive cybersecurity program, and how we are addressing the ever-escalating and more sophisticated cybersecurity threats and data privacy concerns.

No. 3, it explains the cost to operate and maintain the IT applications.

No. 4, it addresses the important changes made since our 2021 rate case to our major IT applications.

And lastly, my direct testimony demonstrates that the information technology rate base amounts and operations and maintenance expenses for 2025 test year are reasonable and prudent.

That concludes my summary. Thank you.

MR. WAHLEN: Mr. Heck is available for cross-examination.

CHAIRMAN LA ROSA: Thank you.

OPC, you are recognized when you are ready.

MR. REHWINKEL: Thank you, Mr. Chairman and Commissioners.

EXAMINATION

BY MR. REHWINKEL:

Q And good afternoon, Mr. Heck. It's nice meeting you.

A Nice to meet you too.

Q I think you just stated your title is Vice-President Information Technology and Chief Information Officer of Tampa Electric.

A That's correct.

Q At the time you filed your testimony, you had been at Tampa Electric almost exactly one year?

A That's correct.

Q And immediately prior to April of 2023, you were the Chief Digital Officer at Emera, beginning in 2020, is that right?

A That's correct.

Q Emera still shows you in that role on their website, but is there a dual role you have?

A There is a dual role. Yes, I am doing both.

Q So is -- are you transitioning, or is it just something that you do for both companies?

A I do for both companies for some period of time. Undefined at this point.

Q Okay. Is all of your time on the books of Tampa Electric, or do you allocate time?

A I allocate based on calendar entries and reviewing that as my log for hours.

Q Okay. Do you have an idea of what, just roughly, what split?

A Yeah, it's exactly 75 Tampa Electric, 25 Emera --

Q Okay. Thank you.

A -- percent.

Q In your roles, are your roles different, or do you perform essentially the same functions at Emera and Tampa Electric?

A Well, I am the technology guy, if you will, at

both companies. So there is a lot of similarities and overlap. But my role at Emera is broader, and done for the parent company over all affiliates.

Q Okay. Do you do work for -- in Nova Scotia Power?

A I do not, not directly. No.

Q Okay. In your role -- before at Emera, you were the CIO, or Chief Information Officer at Duke?

A I was.

Q Arguably one of the largest, if not the largest, combined utility in the country, right?

A Yes.

Q And was your role there essentially the same as what you do at Duke -- at Emera and Tampa Electric?

A Yes.

Q Okay. So with your experience in the utility world and your current responsibilities, you would have had oversight knowledge and responsibility of integration of software applications into a whole array of business operations at all the companies that we have talked about, is that right?

A This is true.

Q Your responsibility as -- you call it CDO, Chief Digital Officer?

A I do. Yes.

Q Okay -- at Emera would include both oversight knowledge and oversight responsibility of the integration of software applications into the whole array of business operations of the Emera operating companies, including Tampa?

A It's knowledge of. As an employee of the parent company, it's more about governance of what's done at the affiliates than intimate knowledge within the affiliates.

Q Okay. I take it that every single software application doesn't have to come across your desk, right?

A Exactly.

Q Okay.

A Yes.

Q Okay. But I think in your testimony, you talk about a cybersecurity role --

A I do, yeah.

Q -- your job, at both --

A Yes.

Q -- Emera and Tampa.

A Yes.

Q Would that role require that all software that supports operations must at some degree, in your organization and under your overall supervision, be

screened for compliance with company security standards?

A That's correct. Yes.

Q And also for compliance with any regulations that you describe in your testimony at pages 14 and 15?

A That's correct.

Q And this concept would apply to the software that you show in document 2 of your exhibit, is that right?

A Yes.

Q Okay. And that would be -- when I say this concept, I am talking about the screening, or governance for cybersecurity reasons for the software that is resident in the capital budgets of the other operating departments of the company presented in this case.

A You are -- can you repeat that for me?

Q Okay, yeah.

What I am asking is you present this -- your capital budget for your department --

A Yes.

Q -- right? But some of the other operations, they have their own dedicated software, right?

A Yes.

Q And even though you are not talking about the prudence of that software, the software that they use still has to come up under your cybersecurity

governance, right?

A This is correct. Yes.

Q So in this sense, you have a general awareness of at least the major software applications that support all areas of the company's operations, is that fair?

A That's fair.

Q No rebuttal testimony from you, right?

A Correct.

Q And so no one has filed testimony in response to your testimony that describes the historical and projected costs of your department, right?

A That's correct.

Q And I also note in your -- that you testify that your testimony does not include operations technology applications and their supporting staff -- their supporting software -- supporting hardware, which is described in the direct testimony of Mr. Lukcic, right?

A That's correct.

Q So one might conclude that the lack of rebuttal would indicate there is no controversy or dispute relative to the IT department, is that kind of how you look at it?

A I had -- I made no assumptions.

Q Okay. Okay. Fair enough.

In your testimony at 481 -- I think it's -- I forget your number, but it's page five, lines eight through 17.

A Okay.

Q You recount Tampa Electric Company's major areas of strategic focus and point to Mr. Collins' testimony in doing so, right?

A I do.

Q Can you read aloud items one and two, please?

A Item one is: To carefully and prudently manage operating expenses and capital spending to meet growing and changing needs in our service area -- excuse me. And two, to continuously improve the safety, reliability, and resiliency of our electric system.

Q And in your testimony here in this vicinity, you testify that the company's IT department, your department, plays a vital role in supporting those areas, right?

A Yes.

Q And would you agree that in your testimony, that you focus on presenting the cost, both capital and expense, of the IT and cybersecurity projects that fall under your purview, is that right?

A I do.

Q Would it also be fair to conclude, at least in

the area of cybersecurity, the company is somewhat less focused on efficiencies and more focused on striving to minimize, if not eliminate, security threats?

A It is risk management. That is what cybersecurity is focused on.

Q But outside of the cybersecurity aspect of this role, item three, if you can, on page 481, lines 13 and 14 --

A Uh-huh.

Q -- would indicate that IT department has a significant role in developing and implementing software solutions to achieve and improve on efficiency in all areas of Tampa's operation, is that right?

A That's right. Yes. We partner with the other business units and functions within Tampa Electric on all technology initiatives.

Q Would you agree with me that a growing aspect of achieving efficiencies in the electric utility sphere is the application of artificial intelligence, machine learning, and advanced data analytics to processes that are fundamental to the utility operating systems?

A So artificial intelligence is a really broad term. Artificial intelligence has been around for decades. So there is artificial intelligence in the systems we deploy and use today, but it's not the -- not

the hyped artificial intelligence since November of '22, when ChatGPT was introduced. That's a whole nother league of artificial intelligence, and we do not use and utilize today much in the way of generative AI.

Q Okay. So when we talk about artificial intelligence, I am talking about generative --

A Okay.

Q -- AI.

A All right. Fair enough. Then, no, I don't agree that -- what -- can you ask your question.

Q Yeah.

A -- about AI again?

Q So that's fair.

A Yeah.

Q So I was say asking is a growing aspect of achieving efficiencies in the electric utility sphere the application we can insert generative AI?

A Yeah. And so I would say it's a potential. It's emerging, and not growing, is not the right way to characterize it today.

Q Okay. Would -- to your understanding of generative AI, or would you agree that these are overwhelmingly, if not entirely, software-driven applications to the extent that they are being used?

A Yes. Software might be embedded in hardware,

but it is -- it's absolutely a software.

Q Are you familiar with human interface -- human machine interface SCADA applications?

A Sure. HMI. Yes, sir.

Q And is that a potential area, just as an example, where artificial intelligence might be used in the future?

A In the future, yes.

Q Do you know what machine learning is generally referred to?

A I do. Yes.

Q Do you consider that to sort of be under the broad umbrella of artificial intelligence?

A It is, and it's not -- not generative AI before that, yes.

Q What about advanced data analytics, is that something that's sort of a byproduct of machine learning and AI together?

A Yeah. And again, analytics can be human-based analytics or artificial intelligence-based analytics. That would be heuristics. That's pre-generative AI. Yes.

Q Okay. What was the word you used?

A Heuristics. Self-learning.

Q H-U-E-R?

A Huh?

Q H-U-E-R, heuristics.

A Yeah. Yeah.

MR. REHWINKEL: I have an exhibit, Mr. Chairman, that I would like to discuss at this time and just see if it's -- it's in your book. It's that red book over there, OPC-217 --

CHAIRMAN LA ROSA: A confidential --

MR. REHWINKEL: -- it will be a confidential exhibit. This has a number assigned to it within the Case Center.

THE WITNESS: Can you repeat the number?

MR. REHWINKEL: It's OPC-217.

MR. WAHLEN: Mr. Rehwinkel, is that CEL 442?

MR. REHWINKEL: I have been told, yes, it is.

MR. WAHLEN: Okay. Thank you.

MR. REHWINKEL: I forgot to bring my CEL document with me.

BY MR. REHWINKEL:

Q Okay. So this is a confidential document, and it is labeled highly confidential by the company, Mr. Heck. So I am going to ask you some preliminary questions about it without getting into the details of it. And I would ask you first off, are you familiar with this document or what's in it? You can --

A It appears to be a document presented at the November 7th, 2023, Tampa Electric/People's Gas board meeting. Yeah, I have seen it. I have seen it before.

Q Okay. So you are familiar with this document. Would you agree that this document is a document that was presented to Tampa Electric sort of as an information about what potential artificial -- generative artificial intelligence applications might exist for the company in the future, or do you have a different characterization of what it means?

A So first, it's been a long time since I have seen the document.

Q Fair.

A November 7th, 2023.

Q Yes.

A And I hadn't seen it since then before now.

Q Okay .

A So I really can't tell you what the major themes are through there.

Q Okay. Fair enough.

Was there a -- I was looking for his name. I saw that the man who presented this, seemed like his first name began with an A. Would you have been at this presentation?

A I am sure I was, but I don't know who

presented it.

Q That's fair.

In this document, it -- can you read the title of it on the first page without revealing confidential information?

A Sure.

Q And I don't know if you have worked it out with your attorney, but if I ask you to do something and ask you if it would reveal confidential information, I certainly hope you would look down the row there and get the thumbs up or something.

A Okay. Thanks for that. But, yes, I can read that.

Q Okay.

A Generative AI Use Cases and Next Steps.

Q Okay. And could you turn to the second page, which has a Bates number, the big dark large 7826 on the left-hand side of the landscape?

A Yes.

Q Okay. In this document here on this page, would you agree that the far right-hand column with the blue -- darker blue arrow talks about potential AI, or distributed int -- well, I shouldn't --

Can you tell me what generally that talks about without revealing confidential information?

A Underneath the fourth arrow, is that what you are looking at?

Q Yes.

A Okay. And you would like me to --

Q Just --

A -- summarize this?

Q -- just above the number there, what's the little subheading of that arrow?

A Distributed Intelligence Apps 2022 through Ongoing.

Q Okay. Is -- does this area show some potentials for the use of generative AI in the future, if you know?

A So this has to do with applications that can run on meters, and our new AMI meters on the edge. And again, this is -- this is potential stuff that has not been deployed yet, but it would be part of the GRR --

Q Okay.

A -- would be where we hope to use these edge applications. It's on the distributed -- on the distribution network. Yes.

Q Okay. On the next -- well, 7828. In the same area of that page, there are some -- there is a column, and it has a subheading. It starts with a letter D. Do you see that? Just if you -- over on the far right-hand

side.

A Yeah.

Q Can you just read those four words without revealing confidential information?

A Sure. Yeah. Driving value across business.

Q Yes.

A Okay.

Q Does this talk about potential overall areas where artificial intelligence applications might provide benefit in the future?

A Yeah. Sure. Yes.

Q Okay.

A These are all areas that are -- that would be areas that, in the future, would have high potential to benefit from artificial intelligence. Yes.

Q Okay. And then on the next, 7830, if you could look at that.

A 7830? Okay. I am with you.

Q And just -- if you can read the first headline there without revealing confidential information.

A The main headline or the one underneath it?

Q It starts with G.

A Okay. Yes, I can. Generative AI at Tampa Electric.

Q And can you read what's below that without

revealing confidential information?

A Yes, I can.

Q Please do.

A Our foray into generative AI began this year with a pilot to assist team members with annual benefits enrollment.

Q Okay. Now, in the -- and I believe that's been discussed in some of the testimony, or at least in deposition in this case.

A Okay. I am not familiar with it --

Q Okay.

A -- but I trust you on that. Yeah.

Q In the lower right-hand corner, do you see the lower right-hand quadrant with a subheading there?

A Uh-huh.

Q Can you read that?

A The subheading?

Q Just the subheading. Yes.

A Next Steps.

Q Yes.

Is the three bullets under that, are they confidential? And if they are, I am not trying to push you to read it out loud.

A Yeah, I don't think it's confidential.

Q Okay. Could you read each bullet?

A Yes.

Bullet one: Continue to evolve existing data and AI governance.

Bullet two: Pursue increasingly complex applications of AI.

Bullet three: Explore potential for AI across broader scope of business units.

Q Thank you.

And there is no timeframe associated with those steps, is that fair?

A There is not a timeframe, but I might add that -- I would -- I would characterize our position on this technology, and others, as a fast follower, right. So where today many of the articles that you provided, and on a daily basis, many vendors and consultants talk about what might happen. We are more in as being a fast follower, looking for, show me where the value has been achieved.

So this is all very highly -- high potential. A very exciting technology had high. Has high, high potential. I would -- I would liken it to the internet back in the '90s. If you recall, all the speculation around the internet, the runs on the stock market, et cetera, and then the subsequent bust.

We really didn't start getting the value out

of the internet for a decade. This technology and its potential is emerging, and it's in that same sort of category. I think it's got higher potential than the internet does in the long-term. But right now, it's even more risky than the internet was back in the mid-'90s.

Q Okay. Thank you.

In your role that we talked about at the very outside of that questioning, would it be fair to say, as the CDO at Emera, and as the -- in your role at Tampa Electric, you would have some significant level of awareness if there were IT applications that were going utilize generative AI machine learning --

A Yes.

Q -- is that correct?

A That is correct. In fact, I helped develop the strategy Emera level that TECO participated heavily in for AI. For -- so, it's a -- it's called the Emera AI Strategy. I helped -- I helped to put that together. Yes.

Q So I think we -- there is, as we read, an HR pilot that is using some level of generative AI in a limited application, is that --

A That was for annual enrollment and benefits. Yes. Yes.

Q And we were told that there is a vegetation management AI trial that's going on, maybe up in Canada, that TECO hopes to learn from, is that right?

A This is correct. Yeah. And I would -- I would characterize it as a proof of concept at this point, but, yes, that is true. They are -- they would like to pursue the use of generative AI to help with their vegetation management.

Q And apart from those two, proof of concept and pilot, is there any other application that is being rolled out within Tampa Electric Company in the sphere of this rate case, '25, '26 and '27, that you are aware of?

A So there is another proof of concept. It would be at Tampa Electric. And it's with -- within the customer experience realm. So using generative AI in some capacity is, like, very much the potential, it's the proof of concept, to aid our customer service reps, the humans, at being better customer service reps.

Q Okay. Is it a -- sort of in concert with a chatbot kind of a platform?

A This would be more for something would pop up on the screen for the customer service rep while they are handling a call.

Q Now, apart from that, is there anything else

that you are aware of?

A That's it for the entire time period you mentioned.

Q And with respect to the CE, or customer experience area, have there been any assumptions made about efficiencies that might be gained through the use of that proof of concept effort?

A I would say it's far too early to have done that, and, no, we have not.

Q Okay. So beyond the three that we have talked about, it's your testimony to the Commission here, is that with respect to the projected test year and the subsequent years that are an issue here, there are no known or under implementation AI efficiencies that you are aware of that are not being included in the revenue requirement in this case?

A Yeah. I would -- I would further clarify by saying generative AI --

Q Yes. That's what I --

A -- that investment in AI. Yes, that is correct.

Q Okay. Mr. Heck, thank you. I just needed to go through that for the record, and I appreciate your helping and the information.

A Sure.

Q Thank you very much.

A Thank you.

MR. REHWINKEL: Mr. Chairman, thank you.

CHAIRMAN LA ROSA: Great. Thank you.

Florida Rising/LULAC.

MS. LOCHAN: Thank you, Mr. Chairman.

Good afternoon, Mr. Heck. I believe all of my questions have actually been covered, but I am just going to take quick second to make sure. Yeah, I believe I don't have any other questions. Thank you.

CHAIRMAN LA ROSA: Great. Thank you.

FIPUG.

MR. MOYLE: I have just a few.

CHAIRMAN LA ROSA: Sure.

EXAMINATION

BY MR. MOYLE:

Q Page eight, line four.

A Of my testimony?

Q Yes, sir.

A Okay.

Q You have a sentence in here, and I will just read it. It says: For cybersecurity, Emera maintains a set of standards based on the National Institute of Standards and Technologies, paren, NIST, cybersecurity

Framework CSF.

What is the National Institute of Standards and Technologies? And I was wondering, is that a Canadian organization --

A It's U.S.

Q -- or a U.S. government?

A It is U.S. government. Yeah, it is indeed. And I don't know what branch it rolls up into, but it is a -- an agency within --

Q Okay.

A -- the United States government.

Q And I am going to ask a few questions about your cybersecurity. You hear a lot about that. And if there is anything that you are not comfortable answering because of a security reason, just, you know, just say that you are not comfortable, or --

A Okay.

Q -- you know, we will figure out how to deal with that.

A Okay.

Q You have put a lot in here about --

A Yes.

Q -- what you all are doing. Just a few questions.

It looks like you have a full-time staff,

right, in your department, of 18 folks --

A Yes.

Q -- that are tasked with cybersecurity operations. But then you also say that you have a team you contract with, or others that you contract with?

A Uh-huh. Yes.

Q Can you just share a little bit the relative composition of how that works and works together?

A Yeah. And part of it is the realization, you can't go it alone. You know, as talented as our 18 people might be, you need the broader perspective, et cetera. So we have a consulting firm. I would call it kind of a strategic advisor for us. And we have then other companies that do more repetitive routine type work. And that would be, as an example, seven by 24 monitoring, particularly in the overnight hours. They are always reviewing all our logs, et cetera, and very well staffed to make sure that we see every alert and handle every alert around the clock, seven days a week, so as an example. So both strategic and the more nuts and bolts of it as well.

But the 18 people are all loyal employees that investigate alerts, do reporting, mitigate risk, understand risks, et cetera. That type of the core work is done within Tampa Electric by those 18 employees.

Q Are you aware, I show you retract this, but of situations in which cyber has been used worldwide to take down grids for extended periods of time?

A Yes, particularly lately in Ukraine, would be the most dramatic example.

Q Any in the United States that you are aware of?

A Nothing material or it would have been reported. Yeah.

Q And you said your job is to manage risk?

A That's one of them, yeah, for cybersecurity. Yeah. Absolutely.

Q A lot of times, people in the insurance business will talk about, we're managing your risk. Here's a policy for you. Do you have any way of managing risks through insurance? And if so, are you doing that?

A We do have cybersecurity insurance. Yes.

Q What is it called?

A Cybersecurity Insurance.

Q Right. And -- so that would cover what, revenues that you are not able to receive because of a cyber outage? Would it cover any damages to customers?

A Wouldn't cover --

Q Explain that -- explain that to me. I am

not --

A Okay. Yeah. So it's an insurance policy that basically would, after a deductible, cap our losses from an incident where cybersecurity criminals actually got into our computer network and data center, et cetera, and brought harm to the company. The entire cost to restore, et cetera, they would cover a portion of that above the deductible.

Q How about ransom? Would it cover ransom that that's paid?

A Would cover ransomware payments as well.

Q Yeah.

A All of it has to be approved. Our cyber risks are audited by the insurers, et cetera, to make sure we are mitigating risks. We have got good cybersecurity programs in, et cetera. To be insured, you have to -- you have to go through a lot of hoops to get there.

Q Lost revenues because of business, would that be part of what's insured?

A That's a better question for an insurance person. I do not recall.

Q Okay. Just a few more. A lot of acronyms in this --

A I am sorry. Yes.

Q -- world.

A It comes with the territory, yeah.

Q Mr. Rehwinkel asked you a question about SCADA. What is SCADA?

A Supervisory Control and Data Acquisition. It's the way that a human in an operating center can remotely control equipment on the grid basically, or within a generating plant.

Q I made a note in your -- in the answer, you said, HMI. What is HMI?

A Human Machine Interface. Yes.

Q Okay. You made a point about analysis of information that you receive, and that there are two ways that analysis can be done, heuristic, I believe was the word?

A Heuristics. Yes.

Q And that's machine analysis, is that right?

A Yeah. It's a term used for the earliest forms of AI, and the -- I think the word means self-learning, perhaps, something like that.

Q And you compared it with human analysis? Do you do both or --

A Yeah.

Q -- how does --

A For sure. So analytics is a field where you can take a bunch of data and manipulate it in ways, and

then a human can review the results and make decisions. And then artificial intelligence would be using that same data to make its own predictions instead of the human making -- making the -- doing the analysis.

Typically it would lead to human judgment. It's -- at this point, especially. It's not meant to, you know, often to make its own decisions on the fly.

Q Right. So you would have, here's what the machines are saying, here's what our human folks are saying --

A Yeah.

Q -- and then that decision ultimately would be made by a human at this point, not a machine?

A Right.

Q Just a couple of other quick questions.

The AMI meters, those are meters that are smart meters, and they can go on businesses and homes, is that right?

A That's correct. All our meters, other than the exceptions, are MI meters now.

Q Okay. And then are they siloed in such a way that third parties can't hack into the smart meter and then gain access to, you know, turning on lights in your house, and listening in, and all that kind of stuff, or can you explain that?

A Absolutely. Yeah. Cybersecurity is a big concern with AMI and was, and they were designed from the ground up with cybersecurity in mind.

What you mentioned is a nuisance, but if they were to turn off all meters at once, we would have a really bad day on the distribution network. So, yes, a lot of cybersecurity controls architected from the ground up for cybersecurity. They are very, very secure devices.

Q Okay.

A Bless you.

Q And I noticed in your testimony that you didn't list how many times you have given testimony before, but I understand you have worked previously. Is this your first time testifying in a regulatory proceeding?

A This is the first time under oath. Yes, sir.

Q Okay. Well, good. Well, thank you for answering my questions.

A Certainly.

CHAIRMAN LA ROSA: Thank you.

FEA.

CAPTAIN GEORGE: No questions, Chairman.

Thank you.

CHAIRMAN LA ROSA: Thank you.

Sierra Club.

MR. SHRINATH: No questions, Your Honor. Thank you.

CHAIRMAN LA ROSA: Thank you.

Florida Retail.

MR. LAVIA: Good afternoon. Jay Lavia for Florida Retail. No questions.

CHAIRMAN LA ROSA: Thank you.

Walmart.

MS. EATON: No questions. Thank you.

CHAIRMAN LA ROSA: Thank you.

Staff.

MR. SPARKS: No questions. Thank you.

CHAIRMAN LA ROSA: Commissioners, any questions?

Commissioner Fay, you are recognized.

COMMISSIONER FAY: Thank you, Mr. Chairman.

And thank you, Mr. Heck, for being here. It's an interesting subject matter, and can understand maybe why you haven't testified before. It's a complicated thing to talk about publicly. So I am going to ask you a fairly specific question, but if in any way you feel that it's not appropriate to answer that question, please feel free to do so.

So our commission, like a lot of

jurisdictions, has processes in place that review the implementation and consistency of the SIP standards through NERC, and that's in your testimony, and you mentioned that. But do you interpret anything that this body does, or the Commission does, to limit the utility's ability to go beyond those requirements?

THE WITNESS: If I understand the question correctly, I think my answer is no. We don't feel like there is a limited funding for cybersecurity today, and we are able to do what we think we need to do to satisfy NERC's SIP and the other standards out there. Is that -- am I answering the question that you asked?

COMMISSIONER FAY: Let me ask it this way, I guess: With the implementation of what you do for both Emera, and more importantly TECO --

THE WITNESS: Yes.

COMMISSIONER FAY: -- it's driven by the mission to protect the systems and continue operation, which you are able to do so in a way that allows for government coordination, but also not interference when need be, is that accurate?

THE WITNESS: Yeah, that is -- that is accurate. And I will add, and maybe a little bit

tangentially, but I will add.

As I said before, you can't go it alone. So I think a role for government agencies that -- where it's applicable, would be to help coordinate and information flow, et cetera, with cybersecurity across the utility industry.

I think there is a -- there is obviously reporting requirements on our side, and we would like to see some benefit from those reporting requirements as well with the two-way flow of information. So, anything to help with that conduit would be helpful, I think.

COMMISSIONER FAY: Okay. Great. And, you know, appreciate what you do. You know, whenever we talk about this topic, I think the more you know the less you sleep --

THE WITNESS: Yes.

COMMISSIONER FAY: -- and so I can appreciate the commitment that you have to keeping the grid safe, so thank you.

THE WITNESS: Thank you.

COMMISSIONER FAY: Thank you, Mr. Chairman.

CHAIRMAN LA ROSA: Thank you.

THE WITNESS: Thanks.

CHAIRMAN LA ROSA: Send it back to TECO for

redirect.

MR. WAHLEN: No redirect.

CHAIRMAN LA ROSA: Okay. Awesome.

Now, let's move exhibits into the record.

MR. WAHLEN: Tampa Electric moves Exhibit 23, please.

CHAIRMAN LA ROSA: 23. Is there objection?

PUBLIC COUNSEL: Public Counsel would move --

CHAIRMAN LA ROSA: Oh, is there objection? I thought -- I am sorry, that's what I thought you were checking on. So 23, I believe number, no objection?

Seeing none, show that 23 is moved into the record.

(Whereupon, Exhibit No. 23 was received into evidence.)

CHAIRMAN LA ROSA: Now, let's go to --

MR. REHWINKEL: OPC would move 442.

MR. WAHLEN: No objection.

CHAIRMAN LA ROSA: No objection? No objection, show it entered into the record.

(Whereupon, Exhibit Nos. 442 was received into evidence.)

CHAIRMAN LA ROSA: Any other exhibits we need to move -- be moved in? Seeing none.

Mr. Heck, thank you very much.

THE WITNESS: Thank you.

CHAIRMAN LA ROSA: You are excused.

(Witness excused.)

CHAIRMAN LA ROSA: All right. TECO, I will throw it back over to you for your next witness.

MR. WAHLEN: Thank you, Mr. Chairman. Tampa Electric calls Marian Cacciatore, please.

CHAIRMAN LA ROSA: Marian, before you sit down, do you mind just administering the oath? Thank you.

Whereupon,

MARIAN CACCIATORE

was called as a witness, having been first duly sworn to speak the truth, the whole truth, and nothing but the truth, was examined and testified as follows:

THE WITNESS: Yes, I do.

CHAIRMAN LA ROSA: Excellent. Thank you. Feel free to get settled in and I will turn it over to TECO once you guys are ready.

MR. WAHLEN: Thank you.

EXAMINATION

BY MR. WAHLEN:

Q Would you please state your name for the record?

A Marian Cacciatore.

Q And who is your current employer, and what is your business address, please?

A Tampa Electric Company. 702 North Franklin, Tampa, Florida.

Q Did you prepare and cause to be filed in this docket, on April 2nd, 2024, prepared direct testimony consisting of 55 pages?

A Yes, I did.

Q Did you also prepare and cause to be filed in this docket, on July 2nd, 2024, prepared rebuttal testimony consisting of 18 pages?

A Yes, I did.

Q Do you have any additions or corrections to your prepared direct or rebuttal testimony?

A Yes, I do.

Q Would you please list them?

A Sure. In my direct testimony, on page 30, line 19, the word million should be billion in both places.

Q Do you have another correction?

A I do.

In my rebuttal testimony, on page eight, line 23, delete the words Gulf Power. The first order is a Florida Power Corporation order, and the second is Gulf.

Q Okay. Thank you.

Would those revisions, if I were to ask you the questions contained in your prepared direct and rebuttal testimony today, would your answers be the same as those listed --

A Yes.

Q -- in the testimony?

MR. WAHLEN: Mr. Chairman, Tampa Electric requests that the corrected prepared direct and rebuttal testimony of Ms. Cacciatore be inserted into the record as though read.

CHAIRMAN LA ROSA: Okay.

(Whereupon, prefiled direct testimony of Marian Cacciatore was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

MARIAN CACCIATORE

Q. Please state your name, address, occupation, and employer.

A. My name is Marian Cacciatore. My business address is 702 N. Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or the "company") as Vice President Human Resources.

Q. Please describe your duties and responsibilities in that position.

A. I am responsible for the leadership and strategic direction of the human resources functions for Tampa Electric, including compensation, benefits, healthcare, pension, and retirement savings.

Q. Please provide a brief outline of your educational background and business experience.

A. Prior to joining Tampa Electric in 2020, I served as Vice President of Human Resources for a satellite communications

company. My background also includes human resource leadership roles in manufacturing, financial services, communications, and high-tech organizations.

I received a bachelor's degree in business administration from the University of South Florida and a master's degree in human resources management from Rollins College.

Q. What are the purposes of your direct testimony?

A. The purposes of my direct testimony are to (1) provide an overview of the company's Human Resource activities, (2) explain the company's employee compensation system, (3) show that the company's total direct compensation for 2025 is reasonable, (4) show that the company's benefit expense for 2025 is reasonable, and (5) demonstrate that Tampa Electric's 2025 test year total compensation expense is reasonable.

Q. Have you prepared an exhibit to support your direct testimony?

A. Yes. Exhibit No. MC-1 entitled "Exhibit of Marian Cacciatore" was prepared under my direction and supervision. The contents of my exhibit were derived from

the business records of the company and are true and correct to the best of my information and belief. It consists of 10 documents, as follows:

Document No. 1	List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Marian Cacciatore
Document No. 2	Employee Count Total and By Function (2021 to 2025)
Document No. 3	IBEW and OPEIU Historical Base Wage Adjustment (2021-2023)
Document No. 4	Total Annual Compensation Analysis for Exempt and Non-Covered/Non-Exempt Benchmarked Positions (2022-2023)
Document No. 5	Merit Budget History – Exempt (2021-2023)
Document No. 6	Merit Budget History – Non-Covered/Non-Exempt (2021-2023)
Document No. 7	Utility Comparison – Total Salaries and Wages as a Percent of Operations and Maintenance Expense (2023)
Document No. 8	Tampa Electric Benefits Package Description
Document No. 9	2023 Benefits Valuation Analysis ("BVA")
Document No. 10	Mercer – Average Annual Health Benefits

Cost Per Employee (2021-2023)

Q. Do you sponsor any sections of Tampa Electric's Minimum Filing Requirement ("MFR") Schedules?

A. Yes. I sponsor or co-sponsor the MFR Schedules listed in Document No. 1 of my exhibit. The contents of these MFR Schedules were derived from the business records of the company and are true and correct to the best of my information and belief.

HUMAN RESOURCE OVERVIEW

Q. Please describe Tampa Electric's Human Resource Department.

A. The company employs approximately 34 team members in the Human Resource Department, which is divided into two areas: Total Rewards and Human Resource Operations ("HR Operations"). The Total Rewards area manages the Human Resource Information System ("HRIS"), compensation, and benefits. HR Operations is responsible for talent acquisition, labor relations, training and development, and change management.

Q. Does the Human Resource Department provide human resource services to affiliates of Tampa Electric?

C9-517

A. Yes. Although Peoples Gas System, Inc. ("Peoples") created its own Human Resource Department in 2021, Tampa Electric's Human Resource Department provides shared services to Peoples for all Total Rewards functions and limited support for Talent Acquisition compliance and Talent Acquisition system support. Additionally, the Tampa Electric team provides limited support for the Learning Management System. Tampa Electric does not provide human resource services to any other member of the Emera Incorporated family of companies.

Q. Did the creation of a Human Resource Department at Peoples impact the level of staffing in the Tampa Electric Human Resource Department?

A. Yes, but minimally. Prior to 2021, Tampa Electric provided shared services to Peoples for Learning and Development programs. In 2021, Peoples' Human Resource Department took over Learning and Development, and Tampa Electric reduced its Learning and Development team by two team members.

Q. How are the capital additions and operations and maintenance ("O&M") expenses associated with the Human Resource Department reflected in the minimum filing requirement schedules and testimony in this case?

C9-518

A. The company's capital spending for the Human Resource Department is modest and is discussed as part of Corporate Capital by Tampa Electric witness Richard Latta. The Human Resource Department's O&M expenses are reflected in administrative and general expenses, which are also discussed by Mr. Latta.

Q. What is the goal of Tampa Electric's Human Resource Department?

A. Our purpose is to help the company achieve its goals by getting the right people in the right roles with the right training.

GUIDING PRINCIPLES

Q. What are Tampa Electric's strategic goals?

A. The company has three overall strategic goals: (1) create new value for customers, (2) strengthen and modernize the grid, and (3) provide clean and reliable generation. Achieving these goals requires operational excellence, which means world class safety. Additionally, it requires embracing innovation, using data and technology to make smarter decisions for operations and customers, continuously improving our business processes, and engaging

with our communities as trusted partners. Our talent philosophy, work culture, and leadership principles support these strategic priorities.

Q. What is Tampa Electric's general philosophy for its team members?

A. Tampa Electric understands the company's value to our customers, communities and owners is guided by our team members, who must be focused on meeting the needs of our customers today and in the future. We want team members who are committed to world-class safety and who work relentlessly to be safe every moment of every day. The company seeks to hire and retain skilled team members who are committed to collaboration at a time when the electric industry is changing rapidly. Our team members must embrace innovations that safely and efficiently deliver clean and reliable energy to our customers. We also want team members who strive to cost-effectively deliver excellence in all aspects of our operations.

Q. What are the company's core team member values?

A. Our core team member values include (1) putting safety above all else; (2) putting customers at the center of everything

we do; (3) valuing candor, respect, and collaboration; (4) caring for each other, the environment, and our communities; and (5) setting high standards across the company. These values are reflected in our Employee Code of Conduct, which establishes a foundation for team member integrity and high ethical standards.

Q. What principles does Tampa Electric strive to develop in team members?

A. Tampa Electric seeks to develop seven leadership competencies in its managers and team members. These competencies include:

1. Speaks Up on Safety, Health, and the Environment;
2. Takes Ownership and Acts with Integrity;
3. Drives Operational Excellence for Customers;
4. Builds Strong Collaborative Relationships;
5. Develops People and Teams;
6. Cultivates Innovation and Embraces Change; and
7. Thinks Strategically and Exercises Sound Judgment.

TEAM MEMBER OVERVIEW

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

A. Tampa Electric currently employs approximately 2,500

people. Document No. 2 of my exhibit shows how the company's employee count has changed since 2021 in total and by major functional area. From 2021 to the end of the 2025 test year, the company expects to add about 138 employees. Approximately five will be dedicated to unregulated, below the line activities, leaving about 133 new employees for regulated functions. This amounts to a total average annual increase of about 33 employees or an annual average increase of about 1.5 percent. The employee count changes by functional area are explained in the direct testimony of Tampa Electric witnesses Carlos Aldazabal, Chip Whitworth, Karen Sparkman, and Chris Heck.

Q. Has Tampa Electric experienced challenges in the labor market since 2021?

A. Yes. During 2021 and 2022, Florida's labor market experienced a very low unemployment rate and an influx of high-wage talent moving into the state, which combined to create a very challenging recruiting environment. Candidates demanded higher wages and more flexible work arrangements, which made it more difficult to attract and hire qualified employees. Tampa Electric responded to these challenges by providing competitive compensation and market-driven benefits.

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

A. Yes. Approximately 840 members of our team are part of a collective bargaining unit. We have Collective Bargaining Agreements ("CBA") with two unions: the International Brotherhood of Electrical Workers Local Union 108 ("IBEW") and the Office and Professional Employees International Union Local 46 ("OPEIU").

Q. How is the compensation set for the team members that are members of these two collective bargaining units?

A. Their compensation is set via a CBA, a contract between a labor union and the company. The CBA governs working conditions including wage scales, working hours, training, health and safety, overtime, grievance mechanisms, and rights to participate in workplace or company affairs. Most of our "covered" team members are non-exempt, are paid by the hour, and are eligible for overtime or shift differential pay.

Q. Does the company classify its employees in other ways?

A. Yes. Tampa Electric also has exempt, non-exempt, part-time,

and co-op student employees.

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

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

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

A. Approximately 271 of Tampa Electric's team members are non-covered, non-exempt, and are paid on an hourly basis.

Q. How many team members are exempt?

A. Approximately 1,385 of the company's team members are professionals, supervisors, managers, department directors, and officers who are non-covered, exempt, and are paid on a salaried basis.

EMPLOYEE COMPENSATION

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

A. Tampa Electric recognizes that a competitive pay program is a critical component of a team member's total compensation. The company must have a reasonable and competitive compensation program to attract and retain skilled team members.

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

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

A. Tampa Electric compensates its team members with a combination of direct compensation and benefits. The direct compensation element has three parts: base compensation, short-term incentive compensation, and long-term incentive compensation. Our benefits generally include different types of health insurance plans, retirement plans, and disability insurance. I will explain each of these compensation elements and our benefits program in more detail below.

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

Tampa Electric's compensation system reflects a pay for performance model focused on total compensation that aligns the interests of our team members and customers. We have designed our compensation system to reflect market values, promote internal equity, and to be viewed as reasonable when we establish the electric rates to be paid by our customers.

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

TOTAL DIRECT COMPENSATION

BASE COMPENSATION

Q. What is base compensation?

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

Q. Do team members automatically get a base pay increase each year?

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

Q. Please explain the company's process for making merit increases.

A. The company has an annual merit review process that identifies and encourages strong performance by giving team members an opportunity for a base salary annual increase based on individual performance. Our merit review process enables the company to retain strong performing talent and remain competitive with the market.

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

At the beginning of each year, our team members establish performance goals and reaffirm their position accountabilities with their performance coaches. Tampa Electric's performance coaches work with team members to ensure that an individual team member's annual goals align with the company's annual objectives as set out in the company's STIP programs. They also ensure that a team member's position accountabilities align with the team member's specific role functions.

We conduct performance reviews for team members as the end of the year approaches. Our performance coaches assess an individual's performance based on their goals and evaluate a team member's progress developing the Leadership Competencies described above. We assess team members on a five-point scale based on expectations: Significantly Exceeds; Exceeds Many; Fully Meets; Meets Most; and Does Not Meet Job Expectations: and Must Improve to Be Effective.

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

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

Q. Are team members covered by a CBA eligible for merit increases?

A. No. Team members covered by a CBA do not participate in Tampa Electric's merit process. The company negotiates with each union during each contract cycle, and an annual base wage adjustment is normally included in the final overall agreement. Document No. 3 of my exhibit summarizes the base

wage adjustments for each union during the period 2021 to 2023.

SHORT-TERM INCENTIVE PLAN

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

A. Tampa Electric's STIP compensates team members for the achievement of annual company objectives. This variable bonus plan incentivizes individual performance and contribution to annual company goals. Achieving the STIP objectives is intended to benefit customers, both directly and indirectly.

The objectives for STIP center around performance in the areas of (1) Safety; (2) People; (3) Customer Experience; (4) Asset Management; and (5) Financial. The company's objectives in each of these areas are as follows:

1. Safety: Achieve World Class Safety by developing a culture of safety leadership and a reduction in 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").

Q. Please describe the BSC.

A. The BSC is set each year with threshold, target, and stretch goals for the company to achieve during the calendar year.

The percentage of variable pay potential is based on BSC results, job grade, and individual team member performance. All full-time team members excluding IBEW covered employees are eligible to participate.

Q. Please describe the PSP.

A. The PSP applies to IBEW covered employees and has a profit-sharing component based on the company's performance. The PSP has an operations target of six percent, which includes safety, employees, customer, operating performance, and financial goals. The profit-sharing target is up to six percent and is based on net income goals. The sum of these two targets is the maximum potential PSP payout team members may receive based on actual results and is calculated as the achieved PSP percentage multiplied by a team member's eligible annual earnings.

LONG-TERM INCENTIVE PLAN

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

A. Tampa Electric's LTIP is a compensation and retention program for team members in key senior leadership positions. The LTIP program encourages team members to

focus on long-term value for customers. The purpose of the LTIP is to align the long-term incentive pay for senior leaders with corporate and shareholder goals. LTIPs like ours are commonly offered by companies that we compete with for senior leadership talent. Our LTIP is an important part of our competitive total compensation program for senior leaders. Together with our base pay and STIP programs, our LTIP allows Tampa Electric to attract and retain skilled senior leaders.

LTIP is administered through the Emera Performance Share Unit ("PSU") Plan and the EMERA Restricted Share Unit ("RSU") Plan. A PSU or RSU is an equity-based compensation granted to team members and refers to a unit equivalent value of an Emera common share. Each grant has a performance, or vesting, period of three calendar years. Both PSU and RSU grants are affected by the Emera share price. A PSU grant is subject to the achievement of pre-determined financial objectives. At the end of the three-year vesting or performance period, the grants for that period are paid out. A PSU payout factor is a comparison of Emera's performance results against the financial objectives set for that period. The purpose of these plans is to align leaders' long-term incentive pay with Emera corporate goals that focus on creating and preserving long

term shareholder value, which in turn, is guided by creating long term customer value. Each year, team members at the director level or above are awarded PSUs based on a percentage of base pay.

REASONABLENESS OF TOTAL DIRECT COMPENSATION

Q. You have explained that Total Direct Compensation ("TDC") consists of base pay, STIP, and LTIP. What is the company's "target" for TDC?

A. Tampa Electric targets the median (middle) of the market. Using the market median is a compensation best practice and is better than using the mean or average, because the median is less sensitive to outliers in market data. Targeting the median allows the company to balance its desire to hire and retain quality team members with its desire to maintain reasonable customer rates.

Q. What tools does the company use to align TDC with the market median?

A. In addition to Tampa Electric's annual market assessments, in 2019, we conducted a comprehensive compensation review to align the company's compensation system for non-covered employees more closely to the market. The company used

reports from third party independent consultants, Mercer and Willis Tower Watson, and mapped every job to an external benchmark. For the company's skilled labor positions covered by a CBA with the IBEW, we worked with Mercer on obtaining market data as needed for select jobs.

Q. What changes did the company make based on the last comprehensive review conducted in 2019?

A. Based on the 2019 comprehensive review, Tampa Electric adopted a new market-based salary scale in 2020. The company consolidated 21 previous job grades into 11 grades, so each grade now contains jobs similar in knowledge, skills, and abilities. The company used average market references for the benchmarked jobs by grade to create a mid-point salary for each grade, and then established salary ranges by grade equal to 20 percent above and below the mid-point. The resulting salary scales allow the company to set a team member's salary within the applicable range based on the team member's mastery of the role, critical skills, and performance for the job. Our salary scale is now more efficient to administer, provides greater internal equity, and maintains our average total annual compensation for benchmarked exempt and non-covered/non-exempt ("NC/NE") positions relative to the market median (50th percentile).

Document No. 4 of my exhibit provides more information about the results of Tampa Electric's review.

Q. How does Tampa Electric's TDC compare to the market?

A. Tampa Electric's TDC was 99.5 percent of the market median in December 2023.

Q. What evidence supports this statement?

A. As previously discussed, the company performed a detailed benchmarking analysis of TDC (fixed and variable) in 2019, and undertakes an internal analysis at least biennially. The company completed its most recent analysis in 2023. Our periodic benchmarking analyses involves market comparisons for a core group of jobs defined as "benchmark jobs." Benchmark jobs include exempt and NC/NE jobs that match a Tampa Electric job. This type of benchmarking analysis is standard throughout the industry when a market-based compensation system is used. The company's 99.5 percent score in relation to the market median is reflected in Document No. 4 of my exhibit.

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

A. Yes. Document Nos. 5 and 6 of my exhibit show the overall annual percentage increase used by Tampa Electric in its annual merit pay program has averaged 0.6 percent below key market indices over the period 2021 to 2023. In addition, the percent increase for each year has consistently been at or below the average rates of key market indices.

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

A. Yes. We compared Tampa Electric's total salaries and wages to 15 other utilities in the Southeastern United States as reported in the Federal Energy Regulatory Commission ("FERC") Form-1 annual report for 2022. This analysis focused on total salaries and wages as a percentage of total operations and maintenance expenses. Tampa Electric's percentage is close to the median for this benchmark group as shown on Document No. 7 of my exhibit.

Q. Are the company's compensation systems and levels reasonable considering the recent economic changes and current unemployment levels?

A. Yes. Attracting and retaining a qualified work force over the long term is one of the many challenges facing the

entire utility industry. Because of this challenge, our compensation system must look beyond temporary market disturbances/conditions that include low unemployment and focus on the competitive environment for many of the skills needed for the future. For example, our industry is evolving and customer expectations are changing, so we are investing in digital and information technology to improve the customer experience. Because of this evolution, Tampa Electric finds itself competing for talent with high technology companies, not just other utilities.

These changing dynamics make ensuring the company has a competitive compensation system for the long-term more important than ever. Without competitive salaries and wages, the company will lose well-qualified and talented team members and have a difficult time attracting prospective talent. Although a certain amount of employee turnover may be healthy, excessive turnover can negatively affect the level of service Tampa Electric provides to our customers.

BENEFITS

Q. Describe the company's benefits package.

A. The company's benefits package is designed to maintain a

competitive position within the market so the company can attract, retain, and develop competent and qualified team members. Our benefits package includes consumer driven plans, including: (1) health plans; (2) pharmacy plans; (3) employee family assistance plans; (4) dental and vision plans; (5) flexible benefit plans (Healthcare FSA, Dependent Care FSA, and Transportation and Parking FSA); (6) life insurance (basic, supplemental, spouse, and child); (7) accidental death and dismemberment (basic and supplemental); (8) long-term care insurance; (9) paid parental leave; (10) group retirement plans; (11) long-term disability; and (12) retiree medical. Document No. 8 of my exhibit includes a more detailed description of these plans.

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

A. Tampa Electric has an experienced internal human resource ("HR") team that is actively involved in benefit plan management. The HR team partners with Mercer to identify and address issues efficiently and implement solutions that operate the benefit programs effectively.

While the company has a broad benefit program, the cost is driven by two main components – medical and pharmacy

programs. Tampa Electric uses data from Mercer to ensure it is aware of its competitive positioning on an ongoing basis. Mercer provides benchmarking data for the benefit program, updated annually, that includes both design details as well as program cost data. The cost data includes employee contributions as well as the company's gross and net costs. The company compares this data to its own information. Thus, Tampa Electric consistently knows the programs' competitive positioning relative to relevant peer groups (e.g., industry, geography, etc.).

To manage the cost of the medical program, Tampa Electric employs the Blue Cross and Blue Shield ("BCBS") medical management program and the patient care connection ("PCC") program. These programs identify and manage patients with chronic and acute conditions who are most likely to increase costs. These programs work with the affected family as well as medical providers to ensure optimal treatment in the most cost-effective setting.

For pharmacy cost management, Tampa Electric participates in a collective purchasing arrangement, which capitalizes on the purchasing power of over a million members to achieve lower ingredient access cost and maximized net cost efficiency.

All health providers are routinely evaluated for ongoing cost management effectiveness through discount analyses across all relevant vendors. The company uses competitive bidding exercises every three to five years and routine audits to ensure claims are processing accurately according to plan design.

HEALTHCARE BENEFITS

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

A. Tampa Electric evaluates the design and costs through benchmark data provided by Mercer. The company can evaluate competitive positioning with regard to plan design, employee contributions, and aggregate costs, against multiple comparison groups. Benchmark data is available for all of Tampa Electric's benefit plans. The company's position relative to these benchmarks is then compared to the company's desired position as dictated by its total rewards philosophies, and adjustments are made as needed. Document No. 10 of my exhibit shows the average annual health benefits cost per employee.

The company operates its health plans with appropriate fiduciary due diligence. Tampa Electric employs Mercer,

which uses underwriting techniques based on actuarial guidelines to project the future costs for the self-funded plans. The key factor in projecting future results is the prior experience of a group, especially when the group consists of a large population. The process of forecasting past claims experience into the future considers plan designs, member demographics, trends, and group credibility. These processes are widely accepted within the insurance market as the standard for establishing budget and premium levels that are appropriate to cover future risks.

Q. Has the company evaluated its healthcare plan against the market?

A. Yes. The company annually benchmarks its medical, pharmacy, and dental plans using Mercer's proprietary databases. Additionally, based on the results from Mercer's Benefits Valuation Analysis ("BVA"), as shown in Document No. 9, the company's relative value index score of 100 (median value) for medical and 116 (above median value) for dental indicates market competitiveness for medical, and above market positioning for dental, because the company provides a richer dental plan compared to the median plan.

Q. How does the company's healthcare plan compare to industry standards?

A. As shown in Document No. 9, the company uses Mercer's BVA. The BVA displays a series of charts that show a company's benefit plan market value compared to those of peer organizations. Mercer displays the data by plan grouping, and by plan, based on Mercer's national composite workforce, which consists of generic employee profiles that represent a typical employee population. The relative value is determined using consistently applied assumptions to estimate the dollar value attributed to all benefits offered by the employer – it is not equivalent to direct employer costs. This approach removes influences of negotiating power, utilization, and other factors tied to cost so that the focus is on the value determined by plan design and employee cost-share. The group used for the comparison includes 25 utility companies with annual revenues that range from $4.2 ~~million~~ billion to $14.4 ~~million~~ billion as well as 545 For-Profit Companies that are similar in size. To compare Tampa Electric's competitive position relative to the peer group, the charts referenced in Document No. 8 show where Tampa Electric leads and lags according to the following criteria:

- Values: Shows the range of dollar values for all

organizations in the peer group.

- Rank: Identifies your organization's plan value position relative to the peer group values.
- Quartile: Shows the distribution of the peer group's plan values by showing the 1st and 3rd quartiles and median dollar values.
- Index: Illustrates the relationship of your benefit values to the median values of the peer group (the median value equals an index of 100).

The charts reflect the average of the national composite workforce and the company's position is described in terms of the index:

- Above Median: Index of 106 and above.
- Aligned with Median: Index between 95 and 105.
- Below Median: Index of 94 and below.

The company's BVA Index score for its health benefit program is 101, which indicates the company's plan provisions and cost share fall near the median of the peer group.

Q. What factors are driving healthcare costs in the United States ("U.S.")?

A. The main reasons for increased medical cost in the U.S. are

(1) inflation in unit prices; (2) increases in the use of services (primarily due to population aging and the overall deterioration of the health of U.S. citizens); (3) the availability of advanced medical technology; and (4) the expense of high-cost claimants. The increases in cost for prescription drugs are similar, with specialty drugs representing a disproportionately higher percentage of the cost increases than non-specialty drugs. Key trend indices include new drug innovations, legislative changes, and patent expirations.

The current environment of higher inflation may impact healthcare costs, so there is still reason to consider potential additional inflation impact on trend for the 2024-2025 plan years. Given the multi-year nature of provider contracts, it is taking time for the full impact of inflation to emerge. By the end of 2024, we will be at the end of a three-year period where a majority of contracts may have been renewed during an elevated inflationary environment. Those contract negotiations during 2023, 2024 and into 2025 will have the benefit of hindsight in securing higher increases to mitigate historically persistent inflationary pressures. Ultimately, the cost increases negotiated by the carriers with network facilities and providers will be a key determinant of the magnitude of inflationary impact. Tampa

Electric is projecting an increase for its health benefit costs in 2023 and beyond. The projected increase in Tampa Electric's healthcare costs is consistent with and caused by the same factors at work for healthcare costs in the U.S. generally.

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

A. Through Tampa Electric's partnerships with industry experts such as Mercer and BCBS, the company has implemented initiatives to ensure its healthcare costs are reasonable. These initiatives include:

- Implementation of a pricing strategy to encourage cost effective plan selections;
- Annual review and increase in the monthly team member contributions;
- Promotion of team member and retiree awareness and education so that they can be smart consumers of the healthcare options available in their healthcare plans (*i.e.*, health advocacy, telemedicine, carrier resources);
- Provision of the comprehensive disease management Personal Care Connections program for team members, which includes health coaching, to facilitate the effective

medical treatment of plan participants with specific diseases that, if not properly managed, can generate expensive claim costs;

- Vendor analyses and determination that BCBS continues to show favorable results in cost containment due to network discounts, network breadth, and wellness credits;
- A prescription coverage collective financial review, confirming the current vendor offered the most competitive pricing and was the least disruptive.
- Annual benchmarking of healthcare programs to ensure value and competitiveness is reasonable.

Q. How does the increase in Tampa Electric's healthcare costs per team member from 2021 to 2023 compare to the average national increase for those years?

A. For 2021, Tampa Electric's medical and dental costs for active team members were $31.7 million, or $13,163 per active team member. In 2023, Tampa Electric's medical and dental costs for active team members were $29.6 million, or $11,863 per team member, a decrease of 9.9 percent compared to 2021. According to Mercer's National Survey of Employer-Sponsored Health Plans, the national increase in health benefit costs in 2021 and 2023 was an average increase of 4.9 percent; 6.2 percent with no plan changes.

PENSION AND RETIREMENT BENEFITS

Q. Please describe the pension and retirement savings plans and how they compare to industry standards?

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

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

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

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

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

- Grandfathered Participant - If the employee was an active participant in the plan on July 1, 2001 and was age 40 or older on that date; the employee is considered a grandfathered participant. As a grandfathered participant, these special provisions apply:
    - The benefit will be determined in two ways: (1) under the pension equity formula, as if that formula had been in effect throughout the employee's career with the company and (2) under the prior plan formula, as if that formula had remained in effect throughout the employee's career with the company. Whichever formula provides the employee with the higher benefit is the formula that will apply.

- Pension Equity Formula - This formula 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).

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

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

Team members can contribute on a pre-tax or after-tax basis from one percent to 50 percent of eligible compensation. Eligible compensation includes base pay, bonus, incentive, commission, and overtime earnings. Team members can make changes to their contributions at any time.

The company matches $0.75 for every $1 the employee contributes, up to the first six percent of their pay per pay period. 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.

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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 per pay period. 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 per pay period.

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.

Employees covered by the IBEW CBA (other than grandfathered members) will be eligible to receive a non-elective employer contribution on a bi-weekly basis equal to a percentage of the member's compensation for that period (the IBEW member contribution).

The percentage will be based on years 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%

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

3. TECO Energy Group Benefit Restoration Plan (a nonqualified defined benefit pension plan). The TECO Energy Group Restoration Plan provides non-qualified benefits for team members who receive pensionable earnings over the annual pay limit, determined by IRS 401(a)17).

Team members whose employment status is grade 11 and above and who are a member of a "select group of management" team members within the meaning of ERISA Section 201 (2) are eligible to participate in the plan.

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

The TECO Energy Group SERP is a closed plan with no actively employed participants. The company has less than 15 retired members that are currently in pay status.

5. TECO Energy Group Postretirement Health and Welfare Plan (a retiree medical plan):

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

Employees hired prior to April 1, 2010 that elect to continue medical coverage under the terms of the TECO Energy Retiree Group Health Plan, receive a fixed-dollar amount, known as a Retiree Healthcare Defined Dollar Benefit ("DDB") Credit that off-sets the monthly cost for medical coverage. This credit (no cash value) is based on age and years of service at the time of retirement.

Q. How does the company evaluate these plans for reasonableness?

Tampa Electric uses Mercer to evaluate the competitive positioning of these qualified pension and savings plans. Mercer conducted a benchmarking study of 25 peer companies

in 2023 and found that 11, including Tampa Electric, provide an active defined benefit plan to newly hired non-union team members. Of the plans that are offered today, the value of Tampa Electric's combined and defined contribution program for non-union team members is at the 50th percentile of all 26 companies in the peer group.

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

A. As shown in Document No. 9 of my exhibit, based on the results from the 2023 Mercer Benefits Valuation study, Tampa Electric's relative value index score for the combination of the defined benefit and defined contribution plans is 102 for non-union (Exempt and NC/NE) team members and 143 for IBEW union team members. Both are above the index median of 100. This means that the company's defined benefit and defined contribution plans are competitive relative to its peers.

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

A. Yes. Based on the benefits provided and employee demographics, an actuary for a defined benefit plan

estimates the value of employer obligations. The calculation of liabilities considers several complex variables including expected future compensation increases, asset returns, rates of retirement, disability, death, and other reasons for termination. Actuaries use historical data and future expectations to make assumptions for these variables. Actuaries for defined benefit plans also ensure the employer is following laws and regulations regarding pension plans. This includes the timely certification of minimum contributions and the funded status under The Employee Retirement Income Security Act of 1974 ("ERISA"). As there are extensive variables and regulations to consider, it is common and often necessary for companies to engage actuarial firms to compute pension and post-retirement benefit costs.

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

A. Yes. The actuarial assumptions and methods are reasonable and consistent with Financial Accounting Standards Board ("FASB") standards and industry practice and provide a reasonable basis for determining the level of pension cost included in Tampa Electric's cost of service studies. The

company's pension costs are reflected in MFR Schedule C-17.

2025 TEST YEAR TOTAL COMPENSATION EXPENSES

Q. What is the general basis for the company's projection of its human resource needs in 2024 and 2025?

A. Our employee projections are based on the resource needs across operations so that we meet our strategic priorities and better serve our customers. As previously noted, we only added 138 new employee positions since 2021. We project to increase our employee count by 54 employees in 2024 for a total of 2,547, or about two percent. We also project that our employee count will remain constant at 2,547 in 2025. These changes are shown on Document No. 2 of my exhibit. These projected employee levels will allow the company to continue to support our customers with skilled professionals who can provide reliable, efficient, and customer-focused services.

Q. What actions has Tampa Electric taken since its last base rate case in 2021 to control the number of employees?

A. The company requires business case and management approvals as high as the President and Chief Executive Officer for all new positions. Additionally, when a role becomes vacant,

the company only fills the position if there is a business need.

Q. What number of employees should be approved for ratemaking purposes for the 2025 test year?

A. The company projects the average number of team members for 2025 to be 2,547. The projected O&M impact from adding team members in 2024 and 2025 is shown on MFR Schedule C-35 sponsored by Tampa Electric witness Jeff Chronister.

Q. What is the projected gross average salary per active team member for the 2025 test year?

A. Tampa Electric's 2025 budgeted gross average salary per active team member is $116,217 as compared to $108,017 in 2021. This represents an increase of 7.6 percent since 2021 and an average growth rate of 2 percent per year. This average annual growth rate is consistent with the average of actual and forecasted CPI included in Schedule C-35 for the period from 2021 – 2025.

Q. What is the projected average payroll and fringe cost per employee for the 2025 test year?

A. Tampa Electric's 2025 budgeted average payroll and fringe cost per active team member is $147,982 as compared to $142,383 in 2021. This represents an increase of 3.9 percent since 2021 and an average growth rate of 1 percent per year. The annual growth rate is consistent with the average actual and forecasted CPI included in MFR Schedule C-35 for the period from 2021 – 2025.

Q. You testified that the company's TDC in 2025 is reasonable and explained why. What level of merit increases is the company projecting for 2023, 2024, and 2025?

A. The 2023 to 2024 merit increase is 3.75 percent and the merit increases for 2024 to 2025 are projected to be 3.75 percent. These increases are reflected in the base pay component of projected 2024 salary and wages expenses. Based on national market sources such as Mercer, World at Work, and Gartner, increases are trending at approximately 3.5 - 4 percent.

Q. What is the company's projected STIP cost for 2025 and how does that amount compare to the 2023 historic base year?

A. The company's projected STIP cost for the 2025 test year will be $28.2 million and is reasonable. This projected

amount was calculated assuming that the target goals will be met, but not exceeded. The 2025 projected amount is more than the 2023 historic base year short-term incentive compensation expense of $26.2 million, which was lower than normal and budget because the company did not exceed its target goals in 2023.

Q. What is the company's projected LTIP cost for the 2025 projected test year as compared to the 2023 historic base year?

A. The company's projected LTIP cost for the projected test year is approximately $6.83 million, which is higher than the 2023 cost of $4.00 million.

Q. Taken together, are the 2025 projected amounts for base pay, STIP and LTIP (i.e., TDC) reasonable?

A. Yes. As previously indicated, the market value of our TDC expense is 99.5 percent of the market median, which implies that we are paying within the market median and in support of our compensation philosophy that attracts, retains, develops, and rewards talent. In addition, we monitor our pay practices to ensure they conform with policy guidelines.

Q. What level of payroll cost increases for covered employees were included in projected payroll costs for 2025?

A. The company used the negotiated increases included in the current CBA to calculate payroll increases for covered employees. The increases reflected in CBA for IBEW Local 108 are as follows: 1.00 percent for 2019, 2.00 percent for 2020, 3.00 percent for 2021, 3.25 percent for 2022, and 3.50 percent for 2023. This CBA expires March 31, 2024, and is currently being negotiated. We forecasted the 2024 and 2025 increases based on market survey data, so the forecasted expense amounts for 2025 are market-based and reasonable.

We concluded our negotiations with OPEIU Local 46 at the end of 2020. The resulting CBA contains the following base rate increases: 3.00 percent for 2021, 2.75 percent for 2022, and 2.75 percent for 2023. This CBA expired December 31, 2023; however, a payroll increase of 3.0 percent was negotiated for 2024. The CBA will be negotiated in quarter three of 2024. We forecasted the 2025 increase using market data, so the 2025 expense amount is market-based and is reasonable.

Q. What is the company's gross benefits cost for the 2025

projected test year as compared to 2023?

A. Tampa Electric's total gross benefits cost is projected to be approximately $80.9 million in 2025. This amount is reasonable. The company's total benefits cost in 2023 was $72.8 million. The change is primarily due to increased projected healthcare costs for active team members and increased projected pension costs. The factors causing these increased costs are further described below. Despite the expected increases in healthcare related costs from 2023 through 2025, Tampa Electric's overall ability to control benefit costs has contributed to total projected Administrative & General costs in the test year falling below the benchmark, as outlined in MFR Schedule C-37.

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

A. Tampa Electric's pension and benefits costs in O&M FERC Account 926 are projected to be approximately $42.36 million in 2025 as compared to $36.06 million in 2023. Because O&M expense is credited for amount of benefits that are charged to capital to reflect full labor cost, the amount in FERC Account 926 is lower than the gross benefits

cost.

Q. What is the company's projected healthcare cost for the 2025 test year?

A. Tampa Electric's 2025 budgeted healthcare costs for active team members, including medical and dental expenses, is $33.72 million. The company received an actuarial estimate from Mercer that supports this level of expense. The growth in medical and dental expenses from 2023 to 2025 is 14.1 percent and an average growth rate of 6.8 percent per year. This average growth rate is below the national medical cost trend rate of 7.5 percent per year. Based on the above, this level of budgeted cost is reasonable.

The company also provides post-retirement healthcare benefits and projects its expense levels based on actuarial calculations, similar to pension expense. The 2025 projected amount for active employees of approximately $2.00 million is based on Mercer's actuarial projection and is reasonable. The 2023 post-retirement expense for active employees was approximately $1.90 million, which reflects an increase of $102,000 from 2023 to 2025. These costs are reflected on MFR Schedule C-35.

Q. Did the company observe any unusual activity in medical and dental expenses from the period 2020 to 2023?

A. Yes. From 2020 to 2023, the company observed (1) the impact on medical and dental expense as a result of the disruption in access to care during the COVID-19 pandemic; and (2) a sharp rise in the utilization of high-cost specialty drugs.

During the COVID-19 pandemic, there was a significant amount of unusual activity in medical and dental expenses across the U.S. for all health plans. These activities primarily included (1) disruptions in the usual access to medical care and a corresponding reduction in claims activity; and (2) a significant decline in healthcare spending overall.

Because Tampa Electric's team members were deemed "essential workers" and required to work during this time, the company did not experience a decline in claims activity as significantly as other organizations. The diminished ability to access care during the pandemic had a negative impact for many medical plan participants in delayed disease detection and diagnosis. This diminished access contributed to higher unusual claims activity than the company's historical experience, with a smaller claims

volume in 2020, an increased volume in 2021, and a normalized volume in 2022.

Another factor impacting claims volume and the ability to predict the number of claims is the rise in specialty drug claims. Specialty drugs are generally high-cost drugs, difficult to handle or administer, and that treat complex conditions. Once an uncommon occurrence, specialty drug claims have become increasingly more frequent due to the prevalence in their utilization. The cost of specialty drugs has increased sharply over the past few years and continues to rise. Specialty drug claims and their associated costs are approximately 40 percent of Tampa Electric's overall pharmacy claim spend. Claims are expected to increase due to reasons including, but not limited to, innovations in technology, continued biosimilar launches, new cellular and gene therapy entrants, and ongoing increased evolution and utilization of weight loss treatments (GLP-1) – which will impact medical plan costs.

Q. What is the company's retirement expense for pension and retirement savings in the 2025 projected test year?

A. The total retirement expense for pension in the 2025 projected test year is $1.45 million. This includes $1.22

million for the Retirement Plan, $106,816 for the SERP, and $129,649 for the Restoration Plan. The total retirement expense for pension in the 2023 historical prior year is $921,906. This includes $1.60 million of income for the Retirement Plan, $1.32 million of expense for the SERP, and $1.20 million of expense for the Restoration Plan. As a result of our actuarial valuation, pension expense is expected to increase by $531,946 from 2023 to 2025. The major reasons for this cost increase are an increase in pension expense due to the phasing in of significant 2022 asset losses over five years partially offset by a decrease in SERP and Restoration plan expense as no retirements or settlement expense are assumed in 2025.

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

Q. What amount of projected test year salaries and benefits expense, including incentive compensation, should be approved for the 2025 projected test year?

A. As outlined in MFR Schedule C-35, Tampa Electric's total compensation and benefits cost is projected to be $376.9 million for 2025.

Q. Is this amount reasonable?

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

SUMMARY

Q. Please summarize your prepared direct testimony.

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

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(Whereupon, prefiled rebuttal testimony of Marian Cacciatore was inserted.)

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20240026-EI

PETITION FOR RATE INCREASE

BY TAMPA ELECTRIC COMPANY

REBUTTAL TESTIMONY

OF

MARIAN CACCIATORE

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY

OF

MARIAN CACCIATORE

Q. Please state your name, address, occupation and employer.

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

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

A. Yes.

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

A. No.

Q. What are the purposes of your rebuttal testimony?

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

I. TOTAL COMPENSATION

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

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

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

II. VARIABLE INCENTIVE COMPENSATION

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

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

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

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

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

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

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

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

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

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

Q. Are there other reasons to reject Mr. Kollen's LTIP proposal?

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

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

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

Q. Are there Commission decisions that reflect these policies?

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

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

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

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

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

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

Q. Has the Commission recently expressed a reluctance to focus only on the incentive compensation component of total compensation?

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

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

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

Q. Do you agree with his proposals?

A. No.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

III. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN EXPENSE

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

A. A SERP is a nonqualified retirement plan.

Q. What purpose does it serve?

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

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

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

A. The company has no actively employed participants. As of February 2024, the SERP participants included eight former executives of Tampa Electric and TECO Energy and four beneficiaries of former executives of Tampa Electric and TECO Energy.

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

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

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

IV. SUMMARY

Q. Please summarize your rebuttal testimony.

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

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

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

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.

BY MR. WAHLEN:

Q Ms. Cacciatore, did you also prepare and cause to be filed with your direct testimony an exhibit marked MC-1, consisting of 10 documents?

A Yes.

MR. WAHLEN: Mr. Chairman, Tampa Electric would note for the record that Exhibit MC-1 has been identified on the Comprehensive Exhibit List as Exhibit 24.

CHAIRMAN LA ROSA: Okay.

BY MR. WAHLEN:

Q And you didn't have a rebuttal exhibit, did you?

A I did have a rebuttal, yes.

Q You did have a rebuttal exhibit? Okay. And what was that?

A No, I did not.

Q Okay. Whew. Thank you.

A Sorry.

Q I was going to have to blame case lines for that, but --

CHAIRMAN LA ROSA: Well, then you would have jinxed it.

MR. WAHLEN: I thought I was wrong, but I was wrong, so...

BY MR. WAHLEN:

Q Okay. Let's see. Would you please summarize your direct and rebuttal testimony?

A I would be glad to.

Good afternoon, Commissioners. My direct testimony provides an overview of the priorities of the Human Resource Department. It explains the elements of our employee compensation system, and shows that the company's 2025 test year expenses for total direct compensation and benefits are reasonable.

We target our total direct compensation to be at market median so that we can balance the need to hire and retain quality team members with our desire and commitment to maintain reasonable customer rates. Our current employee count is approximately 2,550 in 2024, and we expect to maintain that level in 2025.

My rebuttal testimony responds to criticisms from the Office of Public Counsel and LULAC about our variable pay programs, and shows that variable, or at-risk pay is commonly used by companies in the United States. These programs serve as valuable tools to both motivate and focus our employees, and also helps the company manage total direct compensation expenses.

I also show that the financial performance metrics within our short-term incentive plans are part

of a balanced scorecard of performance goals that reflect the diverse priorities that our employees, our managers and senior leaders balance every day so that we can provide high quality electric service to our customers, and maintain reasonable rates.

This concludes my summary.

MR. WAHLEN: Ms. Cacciatore is available for cross-examination.

CHAIRMAN LA ROSA: Great. Thank you.

OPC, you are recognized when you are ready.

MR. REHWINKEL: Thank you, Mr. Chairman.

EXAMINATION

BY MR. REHWINKEL:

Q And hello again, Ms. Cacciatore.

A Good afternoon.

MR. REHWINKEL: I would like to just start off if I could, Mr. Chairman, with an exhibit that's not confidential. It's OPC-42. That's 267 Case -- case -- yes.

BY MR. REHWINKEL:

Q So, Ms. Cacciatore, I have a composite exhibit here of the responses to OPC Interrogatories 12 through 17, POD 30. Do you see that?

A Yes, I see question 12.

Q Okay. Going to just question -- or response

to Interrogatory 12, it asked for a list of each of the company's existing incentive compensation plans. Do you see that?

A Yes, I do.

Q And it refers the viewer to POD 30, which contains descriptions of the existing incentive compensation plans, which is attached to this exhibit. Do you see that?

A Yes, I do.

Q Okay. Under the answer here on 5396, there is a variety of stock-based plans. Emera Senior Management Stock Option Plan, Emera Performance Share Unit, PSU Plan, Emera Restricted Share Unit, RSU Plan, and Emera Deferred Share Unit, DSU Plan. Do you see that?

A I do.

CHAIRMAN LA ROSA: Ms. Cacciatore, do you mind moving your microphone a little bit closer to you as you speak?

THE WITNESS: I would be glad to.

CHAIRMAN LA ROSA: Awesome. Thank you.

BY MR. REHWINKEL:

Q Which long-term or short-term incentive, which category do those stock plans apply to?

A So the ones that apply to Tampa Electric is the Emera Restricted Shock -- Stock Share Unit, the RSU

Plan, the Emera Share Unit.

So the RSU and the PSU are long-term incentive plans that will apply to a small group of Tampa Electric senior leaders. Also, the short-term incentive plan, and the TECO -- the SERP and the Restoration plan.

Q Okay. So the top one, Emera's Senior Management Stock Option Plan, is that not a Tampa Electric?

A I -- that is administered at the Emera. If anyone, it would not be within my purview. It might be Mr. Collins would be the only one. I am not sure.

Q Okay. But the cost of any awards under the Emera Senior Management Stock Option Plan, those are included -- if any, they are included in this rate case?

A That would be a good question for Jeff Chronister.

Q Do you know?

A I do not know. I assume so, yes. Any costs that are incurred for Tampa Electric would appear in this.

Q Okay. But if I am looking to divide this list of compensation -- incentive compensation plans between long-term and short-term, the first four that say Emera, those are long-term incentive plans, and the -- is that right?

A That's correct.

Q Okay.

A It would appear that way.

Q And the POD 30, it is -- it -- I don't want to -- it's a lengthy document, but would it suffice to say that this describes the incentive plans, and it has some scorecards attached to it that show what is needed to achieve an award under the plan?

A That is correct.

Q Okay. Would you agree that the long-term incentive plan purpose is to align the long-term incentive pay for senior leaders with corporate and shareholder goals?

A Yes.

Q Would you agree that 100 percent of the long-term incentive plan compensation is tied to reaching financial performance goals that include the Emera stock price?

A Could you repeat the question please?

Q Yes.

Would you agree that 100 percent of the long-term incentive compensation is tied to reaching financial performance goals that include the Emera stock price?

A Yes.

Q Have you provided any evidence to the Commission that if they required long-term incentive plan costs to be borne by the shareholders, that it would require the company to redesign its compensation structure and replace long-term incentive with higher fixed base pay?

A Yes.

Q What is that evidence?

A The Mercer data would show that our total direct compensation is at market median. Mercer data would also show that 62 percent of companies leverage long-term incentive for this short -- for this small population of senior leaders. And so because we target market median for these executives, it requires us -- the components of that is our base salary, our short-term incentive and our long-term incentive. Mercer data -- market data would show that we -- this is common and regularly use to attract and retain senior leaders.

Q The people at Mercer, they don't require you to do anything, right?

A Mercer's role is to look at the market and report out on what is customary, what's going on in the businesses. They don't dictate what we do, but they show us data that informs our decisions on our benefit

packages.

Q Have you ever provided any evidence to the Commission in this case that any utility has ever canceled or scrapped a long-term incentive plan because a regulator disallowed ratepayer recovery of part or all of those costs?

A Not that I am aware of.

Q Is it your testimony that Mr. Kollen and the Public Counsel have the burden of proof to prove that incentive -- that incenting Tampa Electric Company executives to help bolster?

MR. WAHLEN: I am going to object to the question. It calls for a legal conclusion about the burden of proof. She --

BY MR. REHWINKEL:

Q Let's go to 400 of your testimony, please. 400. I think that's in her direct -- no, I am sorry. It's rebuttal. I apologize.

So on line 10, do you see where your rebuttal testimony says: Mr. Kollen has presented no evidence that denying cost recovery of the LTIP element of the company's total compensation program will not harm the company's ability to attract and retain executive team members who are responsible for ensuring that the company meets its obligations to its customers?

Do you see that?

A I do.

Q Aren't you saying there that it's Mr. Kollen's burden of proving the lack of harm?

MR. WAHLEN: I am going to object. She is just stating what she thinks the evidence is. She's not making a comment on the burden of proof. That's a legal concept, and the lawyers can argue about that in the brief.

CHAIRMAN LA ROSA: I will look over to my Advisor.

MR. REHWINKEL: If I can be heard on that?

MS. HELTON: Yes. I do think we need to let Mr. Rehwinkel respond, Mr. Chairman.

CHAIRMAN LA ROSA: Go ahead. Mr. Rehwinkel.

MR. REHWINKEL: I mean, this testimony literally says it's Mr. Kollen's burden to demonstrate the lack of harm. I am just asking if that's what it -- she's saying. I am not asking for a legal conclusion. I mean, that's literally what her testimony says.

MR. WAHLEN: I don't think he is reading that correctly. It says: Mr. Kollen has presented no evidence. It does not say that it is his burden to present it. It says he hasn't presented it. There

is a difference, but she can answer the question. I withdraw the objection.

CHAIRMAN LA ROSA: Continue.

THE WITNESS: So could you repeat the question one more time, please?

BY MR. REHWINKEL:

Q Let me ask it this way: Are you saying that it's Mr. Kollen's responsibility to demonstrate to this commission the lack of harm when he testifies that the shareholders should shoulder the cost of this long-term incentive compensation?

A No, but I would -- what I would ask the Commissioners to consider is we are targeting market median for a reason. We need to balance the ability to attract and retain our senior leaders with some cost prudency.

I do feel like the Mercer data shows us what we need to be competitive, especially in the Tampa Bay area. It's an extremely competitive job market. So in order to retain our current leaders and attract new ones, it's an important part. It's part of doing business. It's part of our total compensation strategy.

Q Would you agree, Ms. Cacciatore, that the senior leadership of Tampa Electric Company are provided incentives to increase rate base and cash flow in order

to help Emera's earnings per share and stock price?

A That is one element of our overall balance scorecard, are some financial goals.

Q You came to Emera from another company, and you did not come because the incentive compensation at Tampa Electric Company was better than what you had at your other -- your then current employer, is that correct?

A That's correct.

Q Thank you.

MR. REHWINKEL: I have no further questions. Thank you.

CHAIRMAN LA ROSA: Florida Rising/LULAC.

MR. MARSHALL: Thank you, Mr. Chairman.

Before we begin, we do have one confidential exhibit to hand out for this witness.

CHAIRMAN LA ROSA: Sure. Go ahead and do that.

MR. MARSHALL: Mr. Chairman, I think most people have that at this point, if I could get started?

CHAIRMAN LA ROSA: Yes. Go ahead.

EXAMINATION

BY MR. MARSHALL:

Q Before we get to that document, I have

questions on non-confidential documents. If I could direct your attention to FLL-197. This is going to be master number F3.3-6487.

This document shows the board expenses that TECO customers are responsible for?

A Yes.

Q And it shows that for 2023, that amount was $573,507 for TECO's board and $189,607 for Emera's board for a total of 763,000.

A I see that.

Q Next I would like to direct your attention to Exhibit FLL-89. This is going to be master number F3.1-2846. And this table is an interrogatory answer providing the estimated cost of the short-term incentive plan and the long-term incentive plan in the 2025 test year?

A Yes.

Q And for -- or the long-term incentive plan, it's a little over $6.2 million that is attributed to TECO?

A Correct.

Q And the short-term incentive plan would be about 26-and-a-half million?

A That's correct.

Q Keep that in mind as we go to FLL-101. This

is going to be master number F3- -- I am sorry, F3.2-3126.

And this is -- do you see this interrogatory answer there at the bottom?

A Yes.

Q And so this includes similar data, but also includes seconded employee expense, is that right?

A That would be seconded employees --

Q Seconded.

A Yes.

Q Okay. Thank you.

And what is a seconded employee?

A That would be employees that are from another country, say Canada, working at in the United States.

Q And so once you include that, those numbers go up a bit for short-term incentive and long-term incentive costs attributable to TECO customers?

A They are working on Tampa Electric business, so yes.

Q The long-term incentive plan is administered through Emera's Performance Share Unit and the Emera Restricted Share Unit, is that right?

A Yes.

Q And that refers to a unit equivalent value of an Emera common share?

A That's correct.

Q And so Emera's share price affects the value of the PSUs and RSUs?

A That is correct.

Q And TECO includes long-term incentive plan compensation predominantly at the director -- well, sorry. First, let me direct you to FLL-93. This is going to be master number F3.1-2915.

This is another interrogatory answer regarding the long-term incentive plan?

A Yes.

Q And it shows that long-term incentive plans are made available predominantly at the director and above level at TECO?

A That's correct.

Q This is a document you referenced earlier. If we could go to Exhibit FLL-53. This is going to be master number F3.1-1267.

And this is going to be one of the -- that Mercer benchmark survey data that you referenced earlier?

A That is correct.

Q And it shows that 53 percent of the companies in the survey do not offer long-term incentive plans?

A What I would call your attention to is under

the long-term incentive eligibility, that 66 percent of executives are offered long-term incentive. That's really the important part.

And what I would really ask for consideration is this LTIP is a small portion of a total compensation strategy that is targeted at the market median. And what that means is half of the companies pay more than we do, and half of the companies pay less. And we feel strongly that this market median is important if we are going to be able to attract and retain the talent that we need to serve our customers.

Q Directing your attention back to my question. This survey indicates that of the 3,220 organizations surveyed, 53 percent do not operate any long-term incentive plan?

A That is correct.

Q If I could next direct your attention to FLL-200. This is going to be master number F3.3-6641. And this is going to be the -- basically the equivalent survey for short-term incentive plans?

A That's correct.

Q And this survey showed that, for short-term incentive plans, that 80 percent of companies offer those?

A That's correct.

Q If I could next direct your attention to FLL-269. That's master number F3.5-24515.

And this is a historic comparison of the short-term incentive budget for -- versus actuals for TECO?

A Correct.

Q And so in 2023, the budget was 26.1 million?

A Yes.

Q And the actual for that year was 24.9 million?

A That's correct.

Q And then TECO'S 2024 budget is 27.2 million.

A That's correct.

What I might add is that we budget that we are going to achieve target. That's more of an accounting budgeting process. And then whatever we actually achieve, that's what's paid out. So that -- that's why the discrepancy.

Q If I could next direct your attention to FLL-101. This is going to be master F3.2-3124.

And this shows the number of employees eligible to receive incentive compensation?

A Yes. That's correct.

Q And so, in 2023, there were 722 employees that were eligible for the performance sharing program for union employees?

A Yes.

Q And then there were 1,860 employees that were eligible for the short-term incentive plan?

A That is correct.

Q And then 124 were eligible for both the long-term and the short-term?

A Yes.

Q And so that's a total of 2,706 employees eligible for incentive compensation?

A What you will have there is actually some employees that were started the year and left, might have a retire -- retiree. So you might have some people -- new employees, people -- employees who were there to get it and then they left, so it's a combination.

Q But approx -- that's the right rate?

A Yes, it is.

Q And in 2023, only 40 TECO employees did not receive incentive compensation?

A That's correct.

Q And that group of 40 included business cooperative education students, interns and temporary employees, employees who voluntarily resigned during the performance plan year and before payout of the incentive compensation, and employees who received a final performance review rating of does not meet expectations

were on a step of discipline during the performance plan year?

A That is correct.

Q It's not like -- I just listed off a bunch. They didn't have to be in each of those categories. Each one of those categories had people in it that did not meet --

A The totality is that. Yes.

Q If I could next direct your attention to FLL-193. This is going to be master number F3.3-6383.

And so this spreadsheet shows the comparison of the budget and actual for long-term incentive versus short-term incentive for 2020 through 2023.

A Yes.

Q And looking at the actual total range, it ranged from 23 and a half million to 39.1 million?

A That is correct.

Q If I can next direct your attention to FLL-196. This is going to be master number F3.3-6485.

And this would show that the total test year budget for both short-term incentive plan and long-term incentive plan that is attributable to TECO, the final expense on the general ledger?

A That's correct.

Q And so that would -- if you added those two

numbers together, that would be a little over $34 million budgeted?

A That would -- yes, step at target.

Q All right. If I could next direct your attention to FLL-89. This is going to be master number F3.1-2848.

And this was a interrogatory question regarding the amount of short-term and long-term incentive program costs that shareholders were responsible for?

A Yes.

Q And it indicates that TECO can't calculate a precise amount because the actual amounts and the amounts used to establish the revenue requirement, you know, may differ?

A I don't actually see that. Where are you reading that?

Q I am looking at the second to last sentence. It says: After each rate case, as revenue and expense fluctuations occur, the shareholder is impacted by the difference between actual amounts and amounts used to establish revenue requirements in the prior rate case. Do you see that?

A I do, but I don't think that was the question. Maybe you could repeat the question for me.

Q Let me ask it a different way.

What I am trying to get at is that if the actual amounts and the amounts used to establish the revenue requirements are the same, shareholders are not going to be impacted by the short-term incentive program and long-term incentive program costs that are in the test year as part of this rate case?

A I believe that to be true. And I think that would be a good question to direct to Jeff Chronister.

Q If I could next direct your attention to FLL-240. This is going to be master F3.4-14842. And if I could direct your attention within this document to master page F3.4-14971.

A You know this is sideways.

Q There should be a rotate right feature.

A Thank you.

MR. WAHLEN: What is that? I can't read it.

COMMISSIONER FAY: Yeah --

MR. WAHLEN: The number -- the exhibit number.

MR. MARSHALL: This is Exhibit FLL-240. It should be -- I've got the CEL number here. 700. Yes. Thank you.

MR. WAHLEN: Thank you.

BY MR. MARSHALL:

Q I know it's still pretty small type, but this

is the 2023 corporate scorecard?

A That's correct.

Q And what's the purpose of the corporate scorecard?

A I'm so glad you asked.

So the balance scorecard really allows Tampa Electric employees, and that's employees, our managers, and senior leaders, to focus on all the different priorities that we need to focus on a year. It's balanced because it's got the different categories called out, and it mobilizes and focuses people on the things that are going to matter most for our customers that year.

Q And this indicates that if Tampa Electric does not meet its net income goal, the entire scorecard cannot pay out more than target, correct?

A That is correct.

Q And the measure with the highest weight on this scorecard is the Tampa Electric net income measure?

A Our financial goals are 35 percent of our balance scorecard, but there is balance with the other priorities as well.

Q But that's a higher weight than any other measure on there?

A That's correct.

Q I would next like to direct your attention to FLL-298, and that's the confidential.

Are you familiar with this document?

A Actually, this did not come from -- yes. The executive compensation strategy, though, is done at the Emera level, so I -- yes.

Q You are the witness responsible for --

A Yes, I am.

Q -- executive compensation --

A I am.

Q -- for TECO in this case?

A I am.

Q And the information that isn't highlighted, that's not confidential?

A The information that is --

Q Not highlighted is not confidential, is that right?

MR. WAHLEN: I'm --

CHAIRMAN LA ROSA: Yeah. Go ahead, Mr. Wahlen.

MR. WAHLEN: Are we getting ready to talk about FLL-298C?

MR. MARSHALL: Yeah, that's what we are referring to.

MR. WAHLEN: I am going to object. This is

detailed compensation information for individual employees. I am not sure why it's relevant or helpful to the Commission in this case.

MR. MARSHALL: I believe TECO is seeking recovery of these costs from their rate -- from their ratepayers. And certainly if those costs are reasonable or not reasonable is certainly at issue in this case. I believe Ms. Cacciatore's testimony is that it is reasonable. We think the numbers help, you know, can somewhat speak for themselves as to their reasonableness, but we think their compensation is highly relevant to this case.

MR. WAHLEN: Well, I just looked at your position in the Prehearing Statement, and you are suggesting that salaries -- and this is Issue 53. Your position is that salaries and benefits expense should be reduced for incentive compensation and to remove the SERP. But there is no allegation in your position that the general level of compensation is inappropriate.

MR. MARSHALL: Well --

MR. WAHLEN: And I don't see how going through individual compensation amounts for individual employees has anything to do with the positions you have taken in the Prehearing Order.

MR. MARSHALL: Unless I am mistaken -- well, I don't think it's confidential to say that short-term incentive and long-term incentive plan compensation is within this document, and certainly goes towards total compensation. I mean, the objection is relevance?

CHAIRMAN LA ROSA: So I am going to look to my Advisor. Can we limit the scope?

MS. HELTON: Mr. Chairman, can I have a quick conversation with the -- your two staff lawyers who worked this case who have a better feel for --

CHAIRMAN LA ROSA: Yeah --

MS. HELTON: -- what's added to or not?

CHAIRMAN LA ROSA: -- let's do that. Let's take three minutes.

(Brief recess.)

CHAIRMAN LA ROSA: Okay. Discussion with my Advisor, I am going to kick it over to her to talk about the legal position.

MS. HELTON: Thank you, Mr. Chairman. And thank you for letting us take a break to kind of discuss this internally. I recognize that this is, a highly sensitive area that we are delving into now that Mr. Marshall has brought us to.

When I look at Mr. Marshall's position in the

Prehearing Order, to me, he has made at -- made an issue of the incentive compensation. And so as I understand this exhibit, it addresses incentive compensation.

So I think that it is relevant to discuss, but my -- I think we need to talk about maybe a little bit about how to go about discussing it, because this is -- this information, as it's been presented to us today, is highly granular, and I am -- meaning that there is persons names and specific numbers attached to each.

And so I am not sure, from the company's perspective, if the names here are confidential because in our -- the way our process works, usually it's the information that is highlighted in yellow that is confidential. So I am a little bit confused about whether it's all of the information on the page, or certain information on the page.

And maybe if Mr. Marshall could direct his questions on a more global level, instead of a particular -- you know, level.

MR. MARSHALL: Yes. I think that's -- I think that's the right approach to this document, but, you know, we certainly believe it's relevant and within the scope of our positions in the Prehearing

Statement.

CHAIRMAN LA ROSA: I just want to make sure that we do clarify what is confidential and what is not confidential, because frankly, I am actually a little confused on what is and what isn't.

MR. WAHLEN: Well, all of the numbers on these pages are confidential. This is the specific employee compensation for specific people.

And I guess the point I am trying to make is you don't need this information to calculate the adjustment. We have just gone through about maybe half a dozen or a dozen documents that show what the total amount of the compensation is and the basis for their adjustment. And what I am trying to say is that this detailed information is not needed to calculate that adjustment, or to prove their point. We don't think it's really probative or adds much to the discussion, except that it's really interesting to find out how much individual employees might be making, and I just don't think that's appropriate.

MR. MARSHALL: If I may respond to that, Mr. Chairman.

CHAIRMAN LA ROSA: Yes.

MR. MARSHALL: If it was $10 million at stake

being spread across $1 million -- one million employees, so $10 each, that's a very different scenario than $10 million being spread over one employee. And so the amount going per, you know, these top executives we think is a relevant issue as to whether the costs that are being charged to TECO's customers are fair, and that's what this document shows.

CHAIRMAN LA ROSA: Okay.

MR. WAHLEN: He is not offering any evidence that it's fair. He is just wanting to talk about the amounts. There is no competing evidence that this is not the right answer. He just wants to talk about the amounts.

MR. MARSHALL: The amounts go to whether it's the right amount.

MR. WAHLEN: But he is not contesting the amounts with evidence. He just wants to make a big deal out of the numbers, and I just think it's inappropriate and not needed for the calculation. And that's our objection.

CHAIRMAN LA ROSA: I understand where both sides are. I am going to come back to my Advisor.

The straight line looks to be unhighlighted. That's partly what concerns me, because then I

don't understand what is then confidential from that point.

MR. WAHLEN: The information that we have claimed is confidential, and that we have put in our request for confidential classification, is all of the individual compensation amounts shown on here for all of the individual employees. Everything that's highlighted in yellow is confidential.

MS. HELTON: But then the first line for each employee, where it says, straight, those are not highlighted. So is that information --

MR. WAHLEN: Because that's in the -- that's been disclosed in Form 1.

MS. HELTON: Okay. Okay. Mr. Chairman, my recommendation is -- I understand that there is a grave concern on the part of the company with respect to this exhibit, and I appreciate that, but Mr. Marshall has not even been able to ask a question yet.

So maybe a better approach would be to have Mr. Marshall ask his question, and then we can see if there is a specific objection to the question, because we don't know, quite frankly, how he plans on using it. And I think we are all sensitive now

to, I mean --

MR. WAHLEN: I am sorry. I was just following the instructions I got yesterday to announce an objection early.

MS. HELTON: Duly noted, Mr. Wahlen.

MR. WAHLEN: I apologize.

CHAIRMAN LA ROSA: I appreciate it.

MR. WAHLEN: I am just trying to -- trying to play along here.

MR. MARSHALL: Mr. Chairman, if I may have just a moment to confer with Mr. Wahlen on my questions to see if he thinks they are confidential or problematic, and hopefully that way --

CHAIRMAN LA ROSA: Sure, if that helps us be a little smoother. Absolutely.

MR. MARSHALL: One minute.

Thank you, Mr. Chairman. May I proceed?

MR. WAHLEN: Yeah, I think I understand that he is going to ask very general questions, and he is not going to identify specific people. But he does want this in the record, and as long as we are not going to talk about specific people in the hearing, I guess we will be okay.

CHAIRMAN LA ROSA: Okay. let's proceed.

MR. MARSHALL: Thank you, Mr. Chairman.

BY MR. MARSHALL:

Q So this document does contain the compensation of top TECO executives?

A Yes.

Q And you add it all up, and it's in the millions of dollars?

A Yes.

Q And in many cases, the bonus and other compensation exceed the base salary depicted?

A I would have to look one -- line-by-line before I confirm that.

Q Would you accept that, subject to check?

A Yes.

Q And generally, subject to check, would you accept that the -- that in many cases, the long-term incentive compensation exceeds the short-term incentive compensation for those executives?

A Yes, and that's based on a compensation strategy as well to keep that long-term focus for our customers.

Q Thank you, Ms. Cacciatore.

MR. MARSHALL: That's all my questions, Mr. Chairman.

CHAIRMAN LA ROSA: Great. Thank you.

Go to FIPUG.

MR. MOYLE: No questions.
CHAIRMAN LA ROSA: FEA.
CAPTAIN GEORGE: No questions. Thank you.
CHAIRMAN LA ROSA: Thank you.
Sierra Club.
MR. SHRINATH: No questions.
CHAIRMAN LA ROSA: Thank you.
FRF.
MR. LATVIA: No questions.
CHAIRMAN LA ROSA: Thank you.
Walmart.
MS. EATON: No questions. Thank you.
CHAIRMAN LA ROSA: Staff.
MR. SPARKS: No questions. Thank you.
CHAIRMAN LA ROSA: Commissioners, do we have any questions?
Seeing none, TECO, it's back in your hands for redirect.
MR. WAHLEN: Yes. And thank you. I want to just thank you for taking the time to be careful about that.
CHAIRMAN LA ROSA: Sure.
MR. WAHLEN: I appreciate it very much.

FURTHER EXAMINATION

BY MR. WAHLEN:

Q Ms. Cacciatore, one question.

You were asked about whether the company executives were being incentivized to grow rate base. Do you remember that?

A Yes.

Q And you answered in terms of the balance scorecard, is that right?

A That's correct.

Q And that goal is a net income goal, right?

A It is.

Q It's not a rate base growth?

A No, it's not. So I answered incorrectly.

Q Okay. Thank you.

MR. WAHLEN: That's all our questions.

CHAIRMAN LA ROSA: Thank you.

Let's move to exhibits.

MR. WAHLEN: Tampa Electric would move Exhibit 24, please.

CHAIRMAN LA ROSA: Is there objection?

Seeing none, show it entered into the record.

(Whereupon, Exhibit No. 24 was received into evidence.)

CHAIRMAN LA ROSA: Are there other exhibits?

OPC.

MR. REHWINKEL: 267.

CHAIRMAN LA ROSA: 267. Is there objection?

Seeing none, show that entered into the record.

(Whereupon, Exhibit No. 267 was received into evidence.)

CHAIRMAN LA ROSA: Other exhibits?

MR. MARSHALL: We have a bit of a series here.

CHAIRMAN LA ROSA: Yeah. Yeah. Just same slow so we can get them all.

MR. MARSHALL: It's Exhibits 513, 549, 553, 561, 653, 656, 657, 660, 700, 729 and 758.

CHAIRMAN LA ROSA: Is there objection?

MR. WAHLEN: We continue to object to the detailed compensation exhibit, whatever that one is, is 770 --

MR. MARSHALL: 758, that would be that last one.

MR. WAHLEN: But I understand maybe that's been ruled on, but I am going to continue to object.

CHAIRMAN LA ROSA: Okay. Let's show it into the record.

(Whereupon, Exhibit Nos. 513, 549, 553, 561, 653, 656, 657, 660, 700, 729 & 758 were received into evidence.)

CHAIRMAN LA ROSA: Is there any other exhibits?

Seeing none, Ms. Cacciatore, you are excused.

THE WITNESS: Thank you.

CHAIRMAN LA ROSA: Thank you.

(Witness excused.)

CHAIRMAN LA ROSA: So I will hand it back over to you for your next witness.

MS. PONDER: Tampa Electric would call -- excuse me. Tampa Electric would call Lori Cifuentes, please, to the stand.

CHAIRMAN LA ROSA: Ms. Cifuentes, I don't believe you have been administered the oath just yet, so whenever you are ready, we will do that before you sit down.

Please, raise your right hand.

Whereupon,

LORI CIFUENTES

was called as a witness, having been first duly sworn to speak the truth, the whole truth, and nothing but the truth, was examined and testified as follows:

THE WITNESS: I do.

CHAIRMAN LA ROSA: Thank you.

Please feel free to have a seat and get settled in. I will turn it over to TECO when you

guys are ready.

EXAMINATION

BY MS. PONDER:

Q Good afternoon. Would you please state your full name for the record?

A Lori --

CHAIRMAN LA ROSA: If you would move your microphone a little bit closer.

MS. PONDER: Sorry.

CHAIRMAN LA ROSA: I am sorry, Ms. Cifuentes. Go ahead.

BY MS. PONDER:

Q And you have been sworn.

Who is your current employer and what is your business address?

A Tampa Electric Company. 702 North Franklin Street, Tampa, Florida.

Q Did you prepare and cause to be filed in this docket, on April 2nd, 2024, prepared direct testimony consisting of 22 pages?

A Yes, I did.

Q And did you prepare and cause to be filed in this docket, on July 2nd, 2024, prepared rebuttal testimony consisting of 13 pages?

A Yes, I did.

Q And do you have any additions or corrections to your prepared direct or rebuttal?

A Yes, I do.

Q You have --

A Oh, I'm sorry.

Q Do you have any additions or corrections to your direct rebuttal testimony?

A No. No.

Q If I were to ask you the questions contained in your prepared direct and rebuttal testimony today, would your answers be the same as those contained therein?

A Yes, they would.

MS. PONDER: Mr. Chairman, Tampa Electric requests the prepared direct and rebuttal testimony of Ms. Cifuentes be inserted into the record as though read.

CHAIRMAN LA ROSA: Okay.

(Whereupon, prefiled direct testimony of Lori Cifuentes was inserted.)

TAMPA ELECTRIC COMPANY
DOCKET NO. 20240026-EI
FILED: 04/02/2024

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

LORI CIFUENTES

Q. Please state your name, business address, occupation, and employer.

A. My name is Lori Cifuentes. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or the "company") as Director Load Research and Forecasting in the Regulatory Affairs department.

Q. Please describe your duties and responsibilities in that position.

A. My present responsibilities include the management of Tampa Electric's customer, peak demand, energy sales, and revenue forecasts, as well as management of Tampa Electric's Load Research program and other related activities.

Q. Please provide a brief outline of your educational background and business experience.

A. In 1986, I received a Bachelor of Science degree in Management Information Systems from the University of South Florida. In 1992, I received a Master of Business Administration degree from the University of Tampa. In October 1987, I joined Tampa Electric as a Generation Planning Technician, and I have held various positions within the areas of Generation Planning, Load Forecasting, and Load Research. In November 2018, I was promoted to my current postion.

Outside of Tampa Electric, I am also actively involved in several forecasting-related organizations. I am actively involved in the Electric Utilities Forecaster Forum ("EUFF"), which is an organization made up of electric utility forecasters from across the nation that meet twice a year to discuss forecasting issues and challenges. I held the position of President of the EUFF from 2008-2014. In addition, from 2009-2014 I was the chairperson for the Florida Reliability Coordinating Council, Inc.'s ("FRCC") Load Forecast Working Group and coordinated the review of Florida utilities' load forecasting methodologies and demand and energy forecasts that support the Peninsular Florida Load and Resource Plan and reliability assessments.

Q. What are the purposes of your direct testimony?

A. The purposes of my direct testimony are (1) to describe Tampa Electric's load forecasting process; (2) to describe the methodologies and assumptions used for the forecast; and (3) to present the load forecast used in Tampa Electric's test year budget that supports its request for a base rate increase. Additionally, I will demonstrate how the forecasts are appropriate and reasonable.

Q. Have you prepared an exhibit to support your direct testimony?

A. Yes. I am sponsoring Exhibit No. LC-1 consisting of 11 documents, prepared under my direction and supervision. The contents of my exhibit were derived from the business records of the company and are true and correct to the best of my information and belief. My exhibit consists of the following documents:

Document No. 1	List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Lori Cifuentes
Document No. 2	Comparison of 2021 Forecast Versus Current Forecast of Customer Growth and Energy Sales
Document No. 3	Economic Assumptions Average Annual

	Growth Rate
Document No. 4	Billing Cycle Based Degree Days
Document No. 5	Customer Forecast
Document No. 6	Per-Customer Energy Consumption
Document No. 7	Retail Energy Sales
Document No. 8	Per-Customer Peak Demand
Document No. 9	Peak Demand
Document No. 10	Firm Peak Demand
Document No. 11	Firm Peak Load Factor

Q. Are you sponsoring any sections of Tampa Electric's Minimum Filing Requirement ("MFR") Schedules?

A. Yes. I sponsor or co-sponsor the MFR Schedules shown in Document No. 1 of my exhibit.

FORECAST OVERVIEW

Q. Please summarize the forecast results.

A. In my direct testimony, I present forecasts that reflect the recent growth trends in the company's service territory. Tampa Electric's sales trends are consistent with the sales trends of other utilities in Florida.

The company expects customer growth to increase at an

average annual growth rate ("AAGR") of 1.4 percent over the next ten years (2024-2033); however, we project the average customer use to decline during that period. Since 2014, per-customer consumption has declined at an AAGR of 0.6 percent, and we expect it to decline at an AAGR of 0.5 percent (0.4 percent excluding the volatile Phosphate sector) over the next ten years. Given the forecasts for 1.4 percent customer growth and 0.5 percent average per-customer use decline, the company expects retail energy sales to increase at an AAGR of 0.9 percent during the forecast horizon (1.0 percent excluding the volatile Phosphate sector).

Q. Please explain the company's experience with load growth and customer growth since the last base rate proceeding was filed in 2021.

A. Document No. 2 of my exhibit shows the trends in customer growth and retail energy sales compared to the projections from the company's last base rate proceeding and for the forecasts presented in my direct testimony.

The company's experience over the past three years has been slightly stronger customer growth for the first few years and has currently aligned again with the projections in the

company's last base rate proceeding. Customer growth on an actual basis averaged 2.0 percent over the past three years versus 1.6 percent that was projected for that period in the last base rate proceeding. This uptick was due to a surge in new multi-family, condominiums, and apartments, which peaked in 2022 at over 3 percent growth and has moderated to 1.7 percent in recent months. Energy sales over the past 3 years averaged 1.7 percent versus the projection of 1.0 percent for this period in the last base rate proceeding. The increase of 0.7 percent is primarily due to very warm weather. During this period, the company's annual peak demand increased from 4,393 MW to 4,669 MW, or by an average of 3.1 percent per year.

The projected average annual growth rates from 2024-2027 are similar to the last base rate proceeding. Customer growth is slightly stronger at 1.6 percent versus 1.3 percent and energy sales are also projected to be slightly stronger at 0.8 percent versus 0.7 percent. The process Tampa Electric uses to prepare its load forecast and the steps it has taken to ensure the forecast is reasonable are discussed later in my testimony.

Q. Please describe the level of inflation experienced since the last base rate proceeding was filed in 2021.

A. The recent levels of inflation experienced were significantly higher than what was expected in 2021. In the last rate proceeding, the consumer price index ("CPI") was projected to be 2.5 percent in 2021 and 2.8 percent in 2022. What occurred was an increase in the CPI of 4.7 percent in 2021 and 8.0 percent in 2022, declining to 4.1 percent in 2023. This represents a 17 percent increase in the average prices paid by consumers over the past three years. Levels this high have not been experienced in over 40 years.

TAMPA ELECTRIC'S FORECASTING PROCESS, METHODOLOGIES AND ASSUMPTIONS

Q. Please describe Tampa Electric's load forecasting process.

A. Tampa Electric uses econometric models and Statistically Adjusted End-use Forecasting ("SAE") models, which are integrated to develop projections of customer growth, energy consumption, and peak demands. The econometric models measure past relationships between economic variables, such as population, employment, and customer growth. The SAE models, which incorporate an end-use structure into an econometric model, are used for projecting average per-customer consumption. These models have consistently been used by Tampa Electric since 2003, and the modeling results have been submitted to the Florida

Public Service Commission ("Commission") for review and approval in past regulatory proceedings. MFR Schedule F-5, which I co-sponsor, provides a more detailed description of the forecasting process.

Q. Which assumptions were used in the base case analysis of customer growth?

A. The primary economic drivers for the customer forecast are Hillsborough County population estimates, Hillsborough County Commercial and Manufacturing employment, building permits, and time-trend variables. The population forecast is the starting point for developing the customer and energy projections. The population forecast is based upon the projections of the University of Florida's Bureau of Economic and Business Research ("BEBR"). The company supplements these sources with Moody's Analytics projections of employment by major sectors and residential building permits. These economic growth projections drive the forecasted number of customers in each sector. For example, an increase in the number of households results in a need for additional services, restaurants, and retail establishments. Additionally, projections of residential building permits are a good indicator of expected increases or decreases in local construction activity. Similarly,

commercial and industrial employment growth is a good indicator of expected activity in those respective sectors. The ten-year historical and forecasted average annual growth rates for these economic indicators are shown in Document No. 3 of my exhibit.

Q. Which assumptions were used in the base case analysis of energy sales growth?

A. Customer growth and per-customer consumption growth are the primary causes for growth in energy sales. The company bases the average per-customer consumption for each revenue class on the SAE modeling approach. The SAE models have three components. The first component includes assumptions of the long-term saturation and efficiency trends in end-use equipment. The second component captures changes in economic conditions, such as increases in real household income, changes in number of persons per household, the price of electricity, and how these factors affect a residential customer's consumption level. I provide a complete list of the critical economic assumptions used in developing these forecasts in Document No. 3 of my exhibit. The third component captures the seasonality of energy consumption. Heating and cooling degree day assumptions allocate the appropriate monthly weather impacts and are

based on Monte Carlo simulations for weather patterns over the past 20 years. Historical and projected heating and cooling degree days are shown in Document No. 4 of my exhibit. MFR Schedules F-7 and F-8 provide a description and the historical and projected values of each assumption used in the development of the 2025 test year retail energy sales.

Q. Which assumptions were used in the base case analysis of peak demand growth?

A. Peak demand growth is affected by long-term appliance trends, economic conditions, and weather conditions. The end-use and economic conditions are integrated into the peak demand model from the energy sales forecast. The weather variables are heating and cooling degree days at the time of the peak, for the 24-hour period of the peak day, and the day prior to the peak day. Weather variables provide seasonality to the monthly peaks. By incorporating both temperature variables, the model accounts for cold or heat buildup that contributes to determining the peak day demand. Temperature assumptions are based on an analysis of 20 years of peak day temperatures. For the peak demand forecast, the design temperature at the time of winter and summer peaks is 31 and 92 degrees Fahrenheit, respectively.

Q. Does Tampa Electric assess the reasonableness of these base case assumptions?

A. Yes. The company evaluates the reasonableness of base case economic assumptions by comparing the historical average annual growth rates to the projected average annual growth rates for the forecast period. In addition, the company compares each economic data series to an alternate source and evaluates it for consistency. Tampa Electric uses the Office of Economic and Demographic Research (a research arm of the Florida Legislature), the U.S. Energy Information Administration, and the University of Central Florida's Institute for Economic Forecasting as alternate sources for comparisons. I found that the projections between the sources vary slightly, but the timing of the expected economic rebounds is consistent. Therefore, it is reasonable to conclude that the Moody's Analytics economic growth assumptions for Hillsborough County are also reasonable.

Q. Were the forecasts for population growth also evaluated for reasonableness?

A. Yes, the company evaluated the forecasts for population growth for reasonableness by comparing county and state

level projections and evaluating them for consistency. The company also compared the Moody's Analytics and BEBR population forecasts and evaluated them for consistency. The BEBR 2025 population growth projections are slightly higher than Moody's. BEBR's growth rates are closely aligned with Tampa Electric's recent customer growth levels. However, to improve the alignment even further, a slight upward adjustment of 0.2 percent was made to BEBR's population growth projections. This adjustment accounts for the surge in the multi-family sector that the company experienced in 2022.

Q. Please describe the historical accuracy of Tampa Electric's retail customer and energy sales forecasts.

A. Since the last rate proceeding in 2021, the average accuracy of the customer forecasts has been remarkable; the three-year average accuracy is 0.2 percent below the actuals.

The average accuracy of per-customer consumption over the past three years was 3.0 percent below the actuals, primarily due to the hotter weather in recent years. However, when adjusting for weather, the average per-customer consumption forecasts have been on target at 0.1

percent.

The resulting average accuracy of the retail energy sales forecasts is 3.2 percent below actuals and 0.1 percent below actual consumption when weather adjusted.

Q. Have Tampa Electric's forecasting models used in developing the customer, demand, and energy forecasts been reviewed for reasonableness?

A. Yes. In 2009 and 2013 Itron, Inc. ("Itron") reviewed Tampa Electric's forecasting models and assumptions. During each review, Itron concluded that the forecast models were theoretically sound. Since then, Tampa Electric has not made any significant changes to its forecasting models and equations.

In May of each year, Tampa Electric and the other Florida utilities meet with the Florida Reliability Coordinating Council ("FRCC") to review each utility's forecasting methodologies, assumptions, and results for reasonableness. This is done to ensure that the aggregated utility forecasts are reasonable for the long-term assessments within FRCC's region - peninsular Florida (the geographic area of Florida east of the Apalachicola River).

During these meetings, Tampa Electric presents its forecasting models, assumptions, and results for the FRCC's review. Since 2010, the FRCC has determined the company's forecasting models to be reasonable for use.

BILLING DETERMINANTS

Q. The methodology and forecasts described in your direct testimony are on a customer class basis, so how are these forecasts converted to a tariff rate schedule basis for rate design analysis?

A. The company converts the output of our customer class models to the tariff rate schedules by conversion models which use billing determinant distribution factors.

Q. Please explain the term billing determinants.

A. The term billing determinants refers to parameters to which prices are applied to derive billed revenues. For example, billing determinants include: (1) the number of customers (*i.e.*, bills) to which the customer charges are applied; (2) the amount of energy or kilowatt-hours ("kWh") sold to which the energy charges are applied; and (3) the amount of demand or kilowatts ("kW") to which the demand charges are applied. Billing determinants also include the number

of units to which any additional charges, discounts, and/or penalties are applied.

Q. How are billing determinant distribution factors derived?

A. The first step is to calculate the historical distribution factors (e.g., the percentage of total residential class customers and energy that are in each residential rate schedule). Next, the company analyzes the trends in these percentages for each rate schedule and bases the future distribution factors on the most recent trends. Similarly, the company bases rate schedules that have billing demand charges on historical load factors.

Q. How are these billing determinants used?

A. The forecasted billing determinants are applied to current and proposed rates to calculate the base revenues from the sale of electricity for the 2025 test year. Tampa Electric witness Jordan Williams discusses this process in his direct testimony.

TAMPA ELECTRIC'S FORECAST RESULTS

Q. How many customers does Tampa Electric serve?

A. Tampa Electric served an average of 834,144 retail customers in 2023. Tampa Electric's current number of customers is shown in Document No. 5 of my exhibit.

Q. What is Tampa Electric's projected customer growth?

A. Customer growth in 2023 was 1.8 percent, while projections for 2024 and 2025 are 1.7 percent. The company projects an average annual increase of 12,899 (1.4 percent) new customers over the next ten years (2024-2033). The historical and projected number of customers are shown in Document No. 5 of my exhibit.

Q. How do Tampa Electric's projected customer growth rates compare with historical growth rates?

A. Historical ten-year AAGR for customers is 1.9 percent and projected customer growth rates are 1.4 percent. This projected growth rate represents customer growth of 1.7 percent in 2024, slowing to 1.2 percent by 2033. BEBR's population projections drive the lower projected growth rates. The moderation of growth rates over the forecast horizon is not uncommon; it is a consistent trend seen in the company's past Ten-Year Site Plans, as well as in other Florida utilities' Ten-Year Site Plans.

Q. Please describe Tampa Electric's energy sales forecast.

A. The primary cause of the increase in the energy sales forecast is customer growth. The impact of per-customer consumption, which is expected to decrease at an average annual rate of 0.5 percent over the next ten years (2024-2033), offsets some of the customer growth as shown in Document No. 6 of my exhibit. Combining the forecasted customer growth and per-customer consumption trends, Tampa Electric expects retail energy sales to increase at an average annual rate of 0.9 percent over the next ten years (2024-2033). I provide historical and forecasted energy sales in Document No. 7 of my exhibit.

Q. What are the primary causes of the projected decline in average usage?

A. The primary causes of declining average use are (1) improvements in end-use efficiency resulting from appliance and equipment replacement; (2) new end-use standards, such as the new lighting standards that are expected to continue to have a significant impact on residential sales; (3) economy-induced conservation; demand-side management ("DSM") program activity; and (4) the continued addition of rooftop solar panels.

Q. How do the 2025 test year projections for retail energy sales compare to the same year projections that were prepared and filed in Tampa Electric's 2021 base rate case?

A. The current 2025 projection for energy sales growth is 0.7 percent, compared to 0.8 percent in the projection for the year 2025 that was filed in the 2021 rate case.

Q. What is Tampa Electric's peak demand forecast?

A. Tampa Electric projects summer and winter peak usage per customer will decrease at an average annual rate of 0.3 percent. Document No. 8 of my exhibit shows historical and forecasted peak usage per customer for summer and winter peaks. The increase in customers and the decrease in per-customer demand results in an average annual growth rate of 1.2 percent over the next ten years for the winter and 0.9 percent for the summer peaks, as shown in Document No. 9 of my exhibit. Summer and winter firm peak demands, which have been reduced by curtailable load such as load management and interruptible loads, are shown in Document No. 10 of my exhibit.

Q. Are conservation and demand-side management impacts accounted for in the energy sales and peak demand

forecasts?

A. Yes. Tampa Electric develops energy and demand forecasts for each conservation and DSM program. The aggregated incremental energy savings and demand impact projections are then subtracted from the forecasts.

Q. Are the impacts of rooftop solar generation accounted for in the energy sales and peak demand forecasts?

A. Yes. Tampa Electric's energy sales and peak demand forecasts include the impacts of rooftop solar generation.

Q. Are electric vehicle impacts accounted for in the energy sales and peak demand forecasts?

A. Yes. Tampa Electric's energy sales and peak demand forecasts include the impacts of electric vehicle charging.

Q. Has the company performed any sensitivity analyses on its load forecast?

A. Yes. The company tested the base case scenario for sensitivity to varying economic conditions and customer growth rates. The high and low peak demand and energy sales

scenarios represent an alternative to the company's base case outlook. The high scenario represents more optimistic economic conditions in the areas of customers, employment, and income. The low band represents less optimistic scenarios in the same areas. Compared to the base case, the expected customer and economic growth rates are 0.5 percent higher in the high scenario and 0.5 percent lower in the low scenario.

Q. Does Tampa Electric conclude that the forecasts of customers, energy sales, and demand are appropriate and reasonable?

A. Yes. The customer, demand, and energy sales forecasts are based on assumptions developed by industry experts and are the most recent assumptions available at the time the forecasts were prepared. The company used theoretically and statistically sound methods that were previously reviewed and accepted by the Commission to develop the forecasts. In addition, the company compared the average annual growth rates for per-customer demand and energy usage for consistency with historical growth rates. We reviewed summer and winter load factors to ensure proper integration of the peak and energy models. The results show that the load factors are reasonable when compared to

historical years. The load factors are shown in Document No. 11 of my exhibit. The customer, energy sales, and demand forecasts are appropriate and reasonable for planning purposes.

SUMMARY

Q. Please summarize your direct testimony.

A. The population of Tampa Electric's service area will continue to grow at a steady pace over the forecast horizon. The company expects an average increase in customers of 1.4 percent a year, which is an increase of almost 116,094 by 2033. We expect per-customer demand and per-customer energy consumption to continue to decline over the next ten years. As a result, Tampa Electric projects retail energy sales will increase at an average annual rate of 0.9 percent (1.0 percent excluding the declining Phosphate sector) over the next ten years.

We conducted reviews of actual energy sales results versus the company's most current forecast for the period June 2023 to February 2024. After adjusting actual energy sales for weather, the forecast for energy sales was overstated by 0.9 percent. These results confirm that the company's forecast is a reliable representation of projected sales.

This forecast is the same forecast used for the 2025 test year projections. Tampa Electric used industry "best practice" methods and appropriate and reasonable assumptions to develop our customer, energy sales, and demand forecasts, and they are reasonable for use in this proceeding.

Q. Does this conclude your direct testimony?

A. Yes, it does.

C10-602

(Whereupon, prefiled rebuttal testimony of Lori Cifuentes was inserted.)

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 AND EXHIBIT

OF

LORI CIFUENTES

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY

OF

LORI CIFUENTES

Q. Please state your name, address, occupation, and employer.

A. My name is Lori Cifuentes. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or the "company") as the Director Load Research and Forecasting.

Q. Are you the same Lori Cifuentes who filed direct testimony in this proceeding?

A. Yes.

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

A. No.

Q. What are the purposes of your rebuttal testimony?

A. My rebuttal testimony addresses observations and recommendations made by the Office of Public Counsel's witness David Dismukes related to the company's load forecast.

Q. Have you prepared an exhibit supporting your rebuttal testimony?

A. Yes. Rebuttal Exhibit No. LC-2, entitled "Rebuttal Exhibit of Lori Cifuentes," was prepared by me or under my direction and supervision. The contents of this rebuttal exhibit were derived from the business records of the company and are true and correct to the best of my information and belief. My rebuttal exhibit consists of the following seven documents:

Document No. 1	Detailed Calculations of Energy Efficiency Out-of-Model Adjustments
Document No. 2	Detailed Calculations of Electric Vehicle Charging Out-of-Model Adjustments
Document No. 3	Detailed Calculations of Private Rooftop Solar Out-of-Model Adjustments
Document No. 4	Florida Utilities 2010-2027

		Residential Usage Per-Customer Growth Trends
	Document No. 5	Florida Utilities - Usage Per-Customer Utility Survey
	Document No. 6	Historical Forecast Accuracy
	Document No. 7	Total Retail Energy Sale (June 2023-May 2024)

I. LOAD FORECAST

Q. Are the 2025, 2026, and 2027 base revenue adjustments of $12 million, $20 million, and $26 million projected by Mr. Dismukes reasonable?

A. No. Mr. Dismukes erroneously suggests that the 2025, 2026, and 2027 base revenues are understated. His methodology for arriving at projected revenues for these years overlooks important facts, has severe shortcomings, and is inaccurate. Tampa Electric witness Jeff Chronister explains why the Florida Public Service Commission ("Commission") should not consider incremental 2026 and 2027 revenues in the calculation of the company's proposed subsequent year adjustments. My rebuttal testimony explains why the amounts of Mr. Dismukes's proposed revenue adjustments are incorrect.

Q. Mr. Dismukes argues that the company's reliance on the out-of-model adjustment to its energy sales forecast that includes revisions for changes in energy efficiency, electric vehicle charging, and private rooftop solar is inappropriate. Do you agree?

A. No. The company's statistical models do not have explanatory variables that capture the future conservation, electric vehicle charging, and customer-owned rooftop solar impacts on future energy sales. For that reason, the company considers the impact of these three factors on the energy sales forecast outside the model.

The company relies on the energy sales forecast for purposes other than rate case proceedings. For example, the forecast is used for generation planning, transmission system planning, and by the Florida Reliability Coordinating Council ("FRCC") for statewide reliability assessments. It is critical to the company's long-term planning that adjustments related to future conservation, electric vehicle charging, and rooftop solar be captured. Removing these three adjustments and ignoring their impacts on future load growth can be detrimental to the company's ability to provide reliable

service to its customers and would impede our ability to plan appropriately for future generation and infrastructure needs.

Q. On pages 8 and 9 of his testimony, Mr. Dismukes argues that the company's reliance on the out-of-model adjustment to its sales forecast that includes revisions for changes in energy efficiency is inappropriate. Do you agree?

A. No. The conservation and demand-side management adjustments are standard industry practice. The company and all Florida utilities with company-sponsored conservation programs make similar adjustments. Additionally, these adjustments can be seen in the Ten Year Site Plans filed with the Commission annually pursuant to Rule 25-22.071, Florida Administrative Code.

Q. On page 9 of his testimony, Mr. Dismukes characterizes the company's Demand Side Management ("DSM") goals that support the company's energy efficiency adjustments as being nearly three times the size as the prior period DSM goals. Do you agree with this characterization?

A. No. Projected conservation saving estimates are not based

on the DSM goals filings cited in Mr. Dismukes's testimony on page 9. The program savings that are the basis for the conservation savings adjustments are from actual DSM savings data found within the company's 2022 DSM Annual Report filed on March 1, 2023, with the Commission pursuant to Rule 25-17.0021, Florida Administrative Code.

Q. Do you agree with Mr. Dismukes assertion that the inclusion of out-of-model adjustments to the company's sales forecast for increases in electric vehicle adoption is inappropriate?

A. No. Incorporating electric vehicle projections into the energy forecasts is standard industry practice. The company, as well as many Florida utilities, make similar adjustments. These adjustments are discussed in the Ten Year Site Plans filed with the Commission annually pursuant to Rule 25-22.071, Florida Administrative Code.

Q. Is the company's adjustment for electric vehicle growth reasonable?

A. Yes. The company's projected impact of electric vehicle charging on retail energy sales is reasonable. The assumptions used come from reputable sources such as the

(1) National Renewable Energy Laboratory ("NREL") that specializes in research and development of renewable energy; and (2) the U.S. Energy Information Administration ("EIA"), a principal agency of the U.S. Federal Statistical System and part of the U.S. Department of Energy, responsible for collecting, analyzing, and disseminating energy information.

Q. Mr. Dismukes criticizes the company's energy efficiency, electric vehicle charging, and customer-owned solar energy adjustments as being unsupported by the evidence. What is your response to this criticism?

A. I disagree. The detailed calculations and assumptions for the company's conservation, electric vehicle charging, and rooftop solar energy forecasts were provided in response to Staff's First Request for Production of Documents, Nos. 6, 7, and 8, Bates stamped pages (BS30330), (BS30331) and (BS30332); and the calculations are summarized in Document Nos. 1 through 3 of my rebuttal exhibit.

Q. Mr. Dismukes contends that the company's sales and usage per customer ("UPC") forecast are inconsistent with historic trends, specifically, the decline of 3.9 percent

in 2024. Do you agree that this decline is unreasonable and inappropriate?

A. No. Mr. Dismukes has failed to see that this disruption in the trend is the transition from actual data for years when weather was hotter than normal to years that the energy sales and UPC are based on normal weather. Because load forecasters are not able to predict future weather, they rely on what is referred to as "normal" or "expected" weather in terms of degree-days. Accordingly, projections for 2024 and beyond are based on normal degree-days. This trend is consistent with many other Florida utilities.

Document No. 4 of my rebuttal exhibit illustrates the company's drop in UPC in 2024 on a residential basis, which is the most weather sensitive sector, compared to the other Florida utilities. The first graph compares the company to the other nine utilities in Florida, and the second graph compares the utilities that serve load in central and southern Florida territories. The latter shows stronger similarities amongst the utilities, which is caused by the hotter temperatures in the mid to southern region of Florida. These graphs show that the decline in 2024 is reasonable and appropriate, as are the 2025 test year and subsequent years.

Q. Mr. Dismukes contends that the company's sales forecast is understated and should be based on the 2013 to 2023 average historical growth rate of 1.2 percent. Do you agree?

A. No. Suggesting that a forecast be based on a historical trend is overly simplified and unreasonable. This methodology ignores the impacts that weather, conservation, electric vehicle charging, and rooftop solar have on energy sales. If Mr. Dismukes's proposed methodology was reasonable, there would be no need for the sophisticated forecasting software and regression methods that are used by all load forecasters.

Q. Mr. Dismukes prepared an analysis of the annual changes in UPC for 166 Southeastern Investor-Owned Utilities over a 14-year period. Do you think his analysis is reasonable?

A. No. Mr. Dismukes's comparison to Southeastern utilities is not reasonable for several reasons. First, the demand for electricity in the Southeastern region is different from the demand for electricity in Tampa Electric's service area. The Southeastern region relies more on gas heating compared to Tampa Electric customers' reliance on electric heating. Second, weather patterns between the

Southeastern region and Tampa are not the same. Tampa experiences milder winters and in some years much hotter spring, summer, and fall temperatures. The analysis was repeated using only the Florida utilities, and the results were very different. Document No. 5 of my rebuttal exhibit shows the results of this analysis.

Q. Do you agree with Mr. Dismukes's characterization that forecasted sales have been lower than actual sales in every year over the past decade raises serious questions about the reliability and integrity of the forecasts?

A. No. The reliability and integrity of the forecasts is based on more than a variance between actual and projected energy sales forecasts. To assess the accuracy and reliability of the forecasting models and the resulting energy sales forecasts, the variances should be calculated using weather-normalized sales. Weather-normalizing is the statistical adjustment of actual energy sales to reflect what energy sales would have been under normal weather conditions, the same weather conditions assumed when projecting these energy sales. Weather-normalizing is the standard practice when assessing forecast reliability.

In addition, the forecasts used by Mr. Dismukes are outdated. The forecasts he used for the years 2013 to 2020 were taken from documents in the company's 2013 rate case proceeding and are very outdated. For example, the forecast for 2020 was completed in 2013, which makes it seven years old. The company has had six opportunities since then to refine the forecast for 2020.

Document No. 6 of my rebuttal exhibit shows the correct method for assessing model and forecast performance. The ten-year average results of the variance assessment for customers one-year-out is -0.1 percent and for two-years-out is -0.3 percent. The ten-year average results of the variance assessment for energy sales one-year-out is 0.8 percent and for two-years-out is also 0.8 percent. These weather-normalized variances support the reliability and integrity of the forecasts.

Q. How accurate have the most current projections, which were the basis for the 2025 through 2027 revenue estimates, been over the past twelve months?

A. The current retail energy sales projections for June 2023 through May 2024 are 0.8 percent above budget, in part due to higher temperatures over the summer months in 2023.

Removing the impacts of weather, normalized sales are 0.6 percent below budget. The company's forecast accuracy is high, and the company's 2025 and subsequent year forecasts are very reasonable and appropriate. Document No. 7 of my rebuttal exhibit illustrates the accuracy of the company's energy sales forecast over the past twelve months.

II. SUMMARY

Q. Please summarize your rebuttal testimony.

A. My rebuttal testimony addressed the statements made by witnesses Dismukes. I demonstrated that the company's projected 2025, 2026, and 2027 retail energy sales and base revenues are appropriate and reasonable.

Witness Dismukes's proposed methodology and assumptions for arriving at projected revenues for 2025 to 2027 overlooks important facts, has severe shortcomings, and is inaccurate. He erroneously suggested that the company use forecasting methods that are not consistent with accepted industry best practices. In addition, based on the accuracy of the energy sales projections over the past twelve months, the energy sales projections for 2024 and beyond are appropriate and reasonable and consistent

with other Florida utilities. For these reasons, I disagree with witness Dismukes's analysis and recommended increases in base revenues of $12 million in 2025, $20 million in 2026, and $26 million in 2027.

Q. Does this conclude your rebuttal testimony?

A. Yes.

BY MS. PONDER:

Q Ms. Cifuentes, did you also prepare and cause to be filed with your direct testimony an exhibit marked LC-1, consisting of 11 documents?

A Yes, I did.

Q And did you prepare and cause be filed revisions to Document No. 3 to Exhibit LC-1 on May 21st, 2024?

A Yes, I did.

Q And did you prepare and cause be filed replacement nonconfidential pages for MFR Schedule F-7 and F-8 on May 21, 2024?

A Yes, I did.

Q And did you prepare and cause to be filed with your rebuttal testimony an exhibit marked LC-2, consisting of seven documents?

A Yes.

MS. PONDER: Mr. Chairman, Tampa Electric would note for the record that Exhibits LC-1 and LC-2 have been identified on the CEL as Exhibits 25 and 146.

CHAIRMAN LA ROSA: Okay.

BY MS. PONDER:

Q Ms. Cifuentes, did you recently discover an error on the company's answer to Interrogatory No. 177

in Staff's 12th Set of Interrogatories that is part of the CEL identified as Exhibit 212?

A Yes.

MS. PONDER: Mr. Chairman, Tampa Electric would ask that the revised answer, which has been distributed to all parties and to the Commissioners, be marked and entered into the record.

CHAIRMAN LA ROSA: Okay.

MS. HARPER: I just want to note for the record, Commissioners, Chairman, that I believe that's Exhibit 838.

MS. PONDER: Thank you.

BY MS. PONDER:

Q Okay. Ms. Cifuentes, would you please summarize your prepared direct and rebuttal testimony?

A Yes.

Good afternoon, Commissioners. My direct testimony explains Tampa Electric's load forecasting process, and the methodologies and the assumptions that were used. It also describes the load forecasts that were used in the company's test year budget that supports the request for a base rate increase, and it demonstrates that the forecasts are appropriate and reasonable.

My rebuttal testimony explains why the commission should not adopt the Office of Public Counsel's proposals as they relate to the load forecast.

I also demonstrate that the company's projected 2025, 2026 and 2027 retail energy sales forecasts are appropriate and reasonable.

This concludes my summary. Thank you.

MS. PONDER: Mr. Chairman, Tampa Electric would tender Ms. Cifuentes for cross-examination.

CHAIRMAN LA ROSA: Thank you.

OPC, you are recognized when you are ready.

MS. WESSLING: Thank you, Mr. Chair.

EXAMINATION

BY MS. WESSLING:

Q And good afternoon, Ms. Cifuentes.

A Good afternoon.

Q So I just want to make sure I get this correct. You are the Director of Load Research and Forecasting for Tampa Electric, correct?

A That's correct.

Q And one of the many things that Tampa Electric forecasts is their expected energy sales, correct?

A Yes.

Q And Tampa Electric uses a process called econometric and Statistically Adjusted End-use

Forecasting models to develop that forecast?

A That is correct.

Q And I believe you just referred to this, but you are aware that OPC expert witness David Dismukes filed testimony challenging certain aspects of Tampa Electric's energy sales forecast?

A I am aware of that.

Q Specifically, OPC challenged the out-of-model adjustments that Tampa Electric made to the results of its energy sales forecast, is that your understanding?

A That's my understanding.

Q If we could go to MFR F-5, which would be page six of 16, and the Case Center number is J-1325, please. J-1325. And hopefully that's showing up on the screen in front of you. Do you see it there?

A Yes, I can.

Q Okay. And you might have a copy as well, whichever is easier for you to look at.

A Yeah, let me go to my copy as well.

Q Okay. So I just wanted to confirm that this page within the MFRs is one that you co-sponsor?

A Yes, I do.

Q And this page is where the three out-of-model adjustments that we were just discussing are located within Tampa Electric's petition and MFRs, is that

accurate?

A Yes. This is where the three separate forecasts are. We refer to them as a separate forecast versus an adjustment.

Q Okay. And you would agree that if the Commission accepts some or all of these adjustments, that customers' bills would be higher than they otherwise would be without the adjustment?

A No, I don't agree with that. That's just one piece of the picture. If these -- if these were removed from the forecast, it will have an effect on other things as well.

Q Okay. But ultimately, though, the effect that that would have on other things would lead to customers paying more than if they were to pay without these adjustments, do you agree with that?

A Of other things equal, yes.

Q Okay. And if the Commission were to reject each of these adjustments, then that would result in a reduction of the 2025 revenue requirement of $12 million, the 2026 revenue requirement of $20 million, and the 2027 revenue requirement of $26 million; is that correct?

A Those are his estimates. Yes.

Q Do you have any reason to believe that those

numbers are inaccurate if the Commission were to reject those adjustments?

A Yes. I disagree with Mr. Dismukes' analysis, strongly disagree.

Those adjustments that he is referring to are actually what we call exogenous forecasts. They are three forecasts that would be very, very careless of the company if we left them out of our process.

The conservation savings is a piece that we have been adjusting our forecasts by for probably 30 years. It's been approved in every rate proceeding.

The electric vehicle adjustment he is wanting to exclude, and the rooftop solar forecast that he is wanting to exclude have also been in all of our forecasts for 10 years, and they have been approved in prior rate cases as well.

All utilities in Florida, and throughout the nation, if they have the electric vehicles and rooftop solar within their service territory, they have to forecast them. There is absolutely no reason to exclude them from the forecasted results.

Q I understand that you disagree with Mr. Dismukes, but my question is: The numbers that he has associated with the 2025, 2026 and 2027 test years as being the amount that revenue requirement would be

reduced by, do you dispute that those numbers are the correct numbers if the Commission were to reject the adjustments?

A His math is a very high level calculation. He just takes a composite rate and multiplies it by the energy to get to those numbers. If it was done through our normal process using building determinants, it could be different.

Q So I need a yes or no. Do you agree with the numbers --

A No.

Q -- or do you disagree with the numbers?

A No, I don't believe they are a hundred percent accurate.

Q Okay. Regarding the EV sales adjustment, if the EV sales were understated, that would have implications for the test your revenue requirements by failing to capture the impact that EV growth would have on company load; is that accurate?

A Yes.

Q And the EV sales adjustment relies on assumptions regarding future penetration levels of EV, correct?

A Yes, the EV forecast does rely on that.

Q And you would agree that Tampa, the Tampa

area, is one of the fastest growing regions in the country with one of the fastest -- within one of the fastest growing states in the country, no?

A Yes, I would agree with that.

Q And the company predicts customer growth of approximately three percent?

A No. Three -- no, three percent is too high.

Q What is the number that --

A Customer -- we are projecting customer growth around 1.8 percent over the next few years. Over the 10 years, I believe it's closer to 1.4 percent.

Q And would you agree that customer growth has been significant enough to at least partially offset higher depreciation and O&M expense in net income year-to-date in 2024?

A I don't know the answer to that. That would probably be best answered by Witness Chronister.

Q 2017 is the only time that the company has reported a sales decrease in the last decade, correct?

A I would have to -- subject to check, I will agree.

Q Okay. Are you familiar with that decrease in 2017?

A I would have to refer to a graph.

Q Okay. And let me ask you a question first,

and then if you need to refer to something, just let me know.

A Okay.

Q Do you agree that the forecasted sales decreased in this case is almost 10 times larger than the 2017 sales decrease?

A The decrease in -- again, I would have to see some numbers to actually be able to confirm that.

Q With regard to usage per customer, has that declined by 0.6 percent on an annual average basis between 2013 and 2023?

A Yes.

Q Isn't this significantly less than the company's forecasted usage per customer decrease of 3.9 percent in 2024?

A Yes, but you are -- we are comparing apples and oranges. We are talking about our historical average use decline really without the impacts of weather. If you look at the forecast for 2024 and beyond, it's based on normal weather, so -- and the decline you are specifically talking about is from 2023, which was a very hot year, and the forecast transitions to a -- what's called -- what's based on normal weather. So it's kind of an apples to oranges comparison there.

There is a -- I do have, in my rebuttal

testimony, a graph that illustrates this well. I think it's in the CEL -- it's a CEL exhibit as well, 146.

Q So the answer to that question is that you disagree that the 0.6 decrease between 2013 and 2023 is significantly less than in the company's forecasted usage per customer decrease of 3.9 percent in 2024?

A Well, obviously the numbers are accurate, but what I am saying is the comparison that you are making is really an apples to oranges comparison.

Q And I am not sure if you were in the room or listening, or whatnot, but if you could, try to answer each question yes or no, and then explain if you feel like you need to explain. But it's important to try to get the answer up, okay?

A Yes.

Q Thank you.

If we could, could we please go to page eight of your rebuttal testimony? I apologize, I don't have the Case Center number here.

A Okay.

Q And on lines seven through 10, you mentioned that load forecasters rely on normal or expected weather in terms of degree days. Do you see this?

A Yes, I do.

Q And could you please define what the company

calls normal or expected weather in terms of degree days?

A Sure.

So a forecaster has to rely on some assumptions for the future, future weather, the seasonality throughout the year, et cetera. Since nobody can really project accurately weather out that far, what forecasters do is rely on history. And the most common period of time to use is the past 20 years.

All the Florida utilities are using 20 years or more. I believe one might use -- one utility might be using 30 years. Nobody is using less than 20 years. So what we do is we use a 20-year period, and that represents, to us, what normal weather will be, and we use that in our projections.

Q Thank you.

Isn't it true that the number of cooling degree days during the years 2020 -- excuse me -- 2015 through 2023, so the past nine years, is higher than during the remainder of the 20-year period?

A Yes, I would agree with that. There -- again, there is a -- my late-filed exhibit illustrates that very well on this Document No. 6. It's also CEL Exhibit 216.

MS. WESSLING: And just for the record, OPC is

not identifying those.

BY MS. WESSLING:

Q If you could please turn to page 10 of your rebuttal testimony. On lines eight through 24, you dispute Dr. Dismukes' conclusion that your forecasting model has a history of understating energy sales projections. You state that -- or you claim that to assess the accuracy and reliability of your models, it would be more reasonable to compare the company's prior forecasts to weather-normalized sales rather than actual sales. Is that an accurate characterization of your testimony?

A Yes, it is.

Q And on pages four and five, so lines 15 through 25, and then onto the next page --

A I am sorry, what page did you say?

Q Starting on page four, line 15, through page five, line three. You also state that the purpose of the forecasting model is to support rate case proceedings, as well as appropriately plan for a future generation and infrastructure needs, correct?

A Yes.

Q Would you agree that the prices customers pay for electricity, as well as the utility's system reliability, is, in part, dependent upon customers'

actual usage in those given years?

A I would -- no, not a hundred percent.

Q In part, would you agree?

A In part.

Q And this is somewhat of a more general question, but would you agree that if a forecasting model -- I am not speaking about anything specific as far as what Tampa uses, but in general -- if a forecasting model is consistently inaccurate in the same directions, meaning consistently always overestimating or always underestimating something when compared to the actuals, then it's reasonable to question the accuracy of that model?

A I would disagree with that. You actually -- in forecasting, because whether has such a -- can have such a big impact on your actual usage, to understand the accuracy of your models, which are on a normalized basis, and to understand if there is any other underlying trend that could be influencing customers' usage, you have to remove the impacts of weather. We call that weather normalization.

What we do is look at our weather normalization trends historically, and that's, you know, very consistent with our forecast.

And I just wanted to add one more thing, or I

-- I agree -- I understand what you are saying about our forecast being over, or too low for the past nine years. That's strictly a result of the weather. If we were to weather -- show you what our weather-normalized accuracy is, which we do somewhere, we actually are over and under. It's not like we are consistently over. And, over the past 10 years, our accuracy has been eight-tenths of a one percent. So, you know, our forecasts on a weather-normalized basis have been very accurate, and it's not skewed to one side or the other.

Q Even though it always results in either always overestimating or always underestimating the same data?

A Not on a weather-normalized basis, it's not always the same.

And you also have to realize, you need to break your forecast down. Our residential forecast is what's been driving our upside -- or our forecast to be on the low side, because that's the most weather sensitive, you know, sector that we have. And it has been hot, and they have used more.

But if you were to look at our commercial and industrial, or our non-residential and governmental, they have actually -- our forecasts have actually been too high.

Q Looking at the accuracy -- speaking of

accuracy -- of the company's forecasting from May of 2023 to April of 2024, each forecast has been under-forecasted in total, correct?

A Do you have some place I can --

Q Sure.

A -- you are pointing to here?

Q And this is actually a Florida Rising exhibit, if I may be allowed to refer to that one. It would be Florida Rising 120, which is hearing Exhibit 580. We are pulling it up.

So the bottom line here, the totals for each of the customer average use and energy sales forecast, each of those were under-forecasted, correct?

A You are talking about the total line?

Q Yes.

A Sure, by two-tenths of a percent. That's --

Q That's underestimate, correct? That's what that --

A Yes.

Q -- graph means?

A Yes, but if you look at the pieces, some are under, some are over. But to be off by two-tenths of a percent is a very good forecast.

Q So, you agree that they were off, though?

A I agree that they were off by --

Q Okay. Nothing further.

A -- two-tenths of a percent.

CHAIRMAN LA ROSA: Thank you.

Florida Rising/LULAC.

MR. LUEBKEMANN: Thank you, Mr. Chairman.

EXAMINATION

BY MR. LUEBKEMANN:

Q Good afternoon, Ms. Cifuentes.

A Good afternoon.

Q It's good to see you again.

To start off real quick, I just want to go over the revisions to your response, the newly filed one.

A Sure.

Q I just want to make sure that I am reading it right, but basically the real changes here are that the difference plus/minus column, that average is going from the original 153 to a 539.

A I am sorry, what are we looking at?

Q I am looking at -- this is basically a comparison of Exhibit 212 and Exhibit 838.

Maybe the right way to do this would be to pull up master number E-8210, and then if you could refer to the updated copy --

A Okay.

Q -- which would be 838.

A Okay. Sorry. I didn't -- I didn't hear that. We were talking about my revised one. I got it now.

Q I apologize.

A Okay.

Q Okay. So I am just trying to get a feel for the changes.

If you look at the difference column, there is a bolded number at the bottom there for average.

A Yes.

Q And the original number there was 153, and now it's 539?

A Yes.

Q Okay. And then the percent difference column, same bolded number for average went from 0.08 percent to 2.8 percent?

A Yes.

Q So both of those increased?

A Yes --

Q Thank you.

A -- they -- let me explain why.

Q Sure.

A So initially, when we read the question, it was talking about our accuracy and our weather-normalized accuracy of 0.8 percent; incorrectly,

we put under this table in the column that says, actual sales, we just projected. And then as we were reviewing things this week, I realized that mistake. So we have corrected it, and now we have our actual sales.

So the first time what you were seeing, where you saw the point -- 0.08 percent was really just our forecast versus our weather-normalized sales. That was an accurate -- look at your -- at our accuracy. Now, I have responded correctly, and we are looking at our actual energy sales versus our weather-normalized sales. So those differences basically represent our estimate of the impact of weather.

Q Thank you. That's a very helpful clarification.

So in your role as the Director for Load Research and Forecasting, your team developed inputs that will then be turned over to TECO's cost of service team?

A That is correct.

Q And TECO is recommending a 4CP cost of service in this case?

A Yes.

Q I know you know. We just want to get it on the record.

And the four specific peak months that TECO

uses in the 4CP case are January, June, July and August?

A I am not real familiar with the 4CP, but, subject to check, I would agree.

Q Okay. I believe it comes from your testimony. Give me one second. No, we can go back to that.

But would you agree that among other reasons, it is important for TECO to have an accurate sales forecast to ensure that it will have enough generating capacity to meet demand at any given time?

A I would agree.

Q And an accurate forecast is also important to make sure that TECO has enough sales in a given year to require its revenue requirement for that year to -- excuse me -- to recover its revenue requirement for that year?

A Yes.

Q And TECO's total rate based revenue requirement for any given year is recovered from customers through a combination of fixed and volumetric charges?

A Can you repeat that?

Q Sure. And these are foundational questions. This is not meant to be a trap.

I am just clarifying that TECO recovers its revenue requirements for any given year from customers

through a combination of fixed and volumetric charges?

A Yes, I would agree.

Q And for the volumetric portion of that recovery, in very simple terms, the rates for any given class are derived as a function, basically, of the revenue requirement that is allocated to that class divided by the kilowatt hours of load that that class is expected to consume over the year?

A I think you are getting out of an -- in an area that's not my area of expertise.

MS. PONDER: Yeah, I would object. This is not in Ms. Cifuentes' testimony. I believe these are questions directed to Mr. Williams' testimony. There is nowhere in Ms. Cifuentes' testimony that addresses the subject that is in question.

CHAIRMAN LA ROSA: Is there any further thought on that? Otherwise, I will -- I can rule, if necessary.

MR. LUEBKEMANN: Yeah, I will try to reframe it.

What I am really trying to get at here is the -- these, I believe, directly -- appropriately directed at Ms. Cifuentes inasmuch as it is the impacts of the forecasting on the other piece. I recognize that she's not the cost of service witness. I am really trying to get a look at the

pieces that go into that.

CHAIRMAN LA ROSA: Okay. If you can point to her testimony, then obviously, do that when applicable, then the witness obviously can state if it's not in her purview.

MR. LUEBKEMANN: Okay. Can I try one or two more here and then move on?

CHAIRMAN LA ROSA: Yes.

MR. LUEBKEMANN: Thank you, Mr. Chair.

BY MR. LUEBKEMANN:

Q Essentially what I am getting at here is if TECO's load forecast ended up being much higher or lower than -- or rather, if TECO's actual sales in a given year ended up being much higher or lower than its load forecast, would you agree that that could create problems for revenue requirement recovery?

A I don't know if -- I don't think I would agree with that.

Q Can you explain why not?

A Well, I guess because I am thinking, you know, in a given year, if it's over or under, there is other things also going on, expenses, you know, so it's not the big picture that I would need to make that determination on the revenue requirement calculation.

Q I mean, if we are looking at revenue -- I am

not talking about all the clauses, but looking at revenue requirement, this is the picture that the company says it needs to recover for a given year that is allocated across the classes, and then it's broken down by the expected consumption of those classes -- those numbers coming from your department.

I am just asking if the actuals end up being, for instance, much lower than what you forecast, is it possible that TECO would end up not recovering the revenue requirement that it anticipated for the year?

A It's possible.

Q Thank you.

And so just one more there and I assure you we will move on.

If TECO's load were actually much higher than the forecast, is it possible that TECO could over-recover versus the revenue requirement that they anticipated for that year?

A Again, all of the things equal, possibly, but all things are not equal.

Q Okay. Thank you.

If we could go to master number F1694, or dash 94. And this is Comprehensive Exhibit 831, staff's third cross-examine exhibit. Sure. It's -- it's F16-94, and this is going to be an Excel sheet. If you

could open that.

Ms. Cifuentes, are you familiar with this document -- once it comes up and you can see it?

A Yes, I am.

Q And this is a work paper that was used in developing your testimony?

A Yes, it is.

Q Oh, and/or the MFRs?

A Yes.

Q If we go to the tab summary, which we are on, great. This shows the variance between TECO forecasts and actuals with respect to number of customers and sales?

A Yes.

Q And TECO's 10-year average retail sales, actuals, are 1.9 percent below the forecasted sales on this document?

A That's correct.

Q And since 2021, TECO's three-year average retail sales actuals were 3.2 percent below forecast retail sales?

A That's correct.

Q If you could go to master number 3.14 --

A Can we -- can we stay there?

Q Sure. Sure.

A I would like to point out that the 3.2-percent you mentioned on a weather-normalized basis, which is how you assessed how your forecasts are doing, our forecasts are only one-tenth of a percent off.

And then you had mentioned a 1.9, or 10-year average 1.9 percent. On a weather-normalized basis, were actually 0.8 percent off. So that's the way that we should look at forecast accuracy.

Q Thank you for the additional context, but you would agree these numbers are accurate on this part?

A I agree with those numbers, that they are accurate.

Q Okay. So if we could move on to 3.4-6645. This is hearing Exhibit 663, or FLL-203. And do you recognize this document?

A Well, I see two different documents. Do I look at the one on my screen?

Q Can you -- what's the number in the upper right-hand corner for you?

A F3.4-66446.

Q 6645?

A 46. Okay. Now, we are -- that's what we were looking at previously, what I have in front of me. That matches what's up there now.

Q Okay. This should be a different page than

the one we were looking at before, but it should have a very similar looking chart.

I just want to confirm that what we are looking at here is a response to a discovery request, and this is an updated copy of the last exhibit for your rebuttal testimony?

A I don't recall this being in my rebuttal testimony. I will have to check.

Q Okay. Well, let me ask the question this way: What changes were made to the updated document in your rebuttal testimony compared to your original?

A Okay. When I -- I believe, in my rebuttal testimony, what I updated was I recreated a -- some numbers, but on a weather-normalized basis. No numbers were revised. I just pulled out the numbers that I felt were the ones that we should be looking at on a weather-normalized basis.

Q As opposed to the non-weather-normalized basis?

A Exactly. So no numbers in the spreadsheet were revised.

Q Okay. Thank you.

And if we could go to master number 16-95. This is hearing Exhibit 831, again, from staff's third -- there is going to be a number of these from staff's

third -- sure, that's six -- sorry. F16-95.

And, Ms. Cifuentes, is this another work paper of yours?

A I will wait until I can see it --

Q Sure.

A -- right here. I can't see that.

Yes, this is.

Q Okay. And we are on the tab -- that's perfect -- the tab year-to-date February, perfect.

This tab shows the forecasted versus actual retail sales by month from June of 2023 through February of 2024?

A That is correct.

Q And energy sales during the summer months trend above TECO's forecast?

A That's correct.

Q It's five percent above in July?

A Five, yes. On a weather-normalized basis, it was half a percent.

Q Sure. I am going to be talking about the non-weather-normalized bases for now, and respect your position that you think the normalized ones are the ones where we ought to be looking.

It was six percent above in August?

A Yes.

Q And 7.7 percent above in September?

A That's correct.

Q And on the other hand, the actual sales were lower than forecast between November and February?

A That's correct.

Q And you would agree that the biggest variance is in January, at 5.1 percent less than the forecast?

A Yes, our forecast was too high.

Q Could we go to master number E7770? This from Exhibit 208 -- admitted Exhibit 208.

And once there, there is some scrolling -- it actually might be better just to do the master number. This is for Interrogatory No. 139. So the master number associated with that is E7796.

And, Ms. Cifuentes, if you could give me a nod when you are -- when it's come up for you. I recognize there is a lag for all of us.

A Yes, it's up.

Q Did you sponsor the answer to this interrogatory?

A Yes.

Q And in this answer, you attribute here the higher error rates in sales forecasts to, quote, "hotter than normal weather"?

A That's correct.

Q Go to the next page. All right. Rather than zooming in on all of these, I am going to ask you a general question about this.

You would agree that TECO's forecast has experienced greater variance for non-weather-normalized sales than for weather-normalized sales?

A I would agree with that.

Q Okay. Save us some time there.

You -- I guess while we are talking about normalization, you had a conversation with Ms. Wessling about weather normalization, and we have danced around this subject a little bit. How exactly does TECO normalize for weather?

A Okay. Let me see if I can explain it where it makes sense.

So weather normalizing is based on a coefficient which represents the, you know, kWh per degree day. And this coefficient comes from our regression models, which correlates weather and customer usage.

So we have -- that's one piece. We have this coefficient that represents this relationship between energy and weather. And then we look at our weather. What was normal. What was expected. What -- you know, what we used to forecast, and what actually happened.

And we take the difference in those degree days, multiply them by the coefficient and times the number of customers that we have, and that gives you what the weather impact was. And that's how you normalize. You remove that weather impact from your actual energy sales. That's how you weather normalize.

Q Thank you for the explanation.

Would it be fair to say the largest loads on TECO's system are, by end-use, would be space heating and cooling, depending on the season?

A I would agree.

Q And would you agree that those end uses are entirely temperature dependent?

A They are -- I am sorry, could you repeat?

Q Entirely temperature dependent?

A Yes.

Q And, that is, TECO uses a 65-degree Fahrenheit break point above or below which HVAC systems are assumed to be heating or cooling respectively?

A 65 degrees is the base. Yes.

Q Would you agree there is a difference between weather and climate?

A I would agree.

Q And would you agree that weather would capture the kinds of day-to-day or month-to-month, even

year-to-year variation in temperature within a -- sort of a baseline?

A I am not an expert in climatology, but I would, high level, yes, that's correct.

Q In general terms?

A Yeah.

Q And would you also agree that climate more describes the meta system, or the baseline from which that day-to-day or seasonal variation is taking place?

A I could agree with that.

Q Would you further agree that if the climate were to change, it would shift the baseline around which that variation that we would call weather is occurring?

A It's possible, but -- it's possible, but for the period of time I have been doing this, it has not moved. 65 is pretty much the base.

Q Right. I am not referring to that number specifically. Just in general terms here, if we talk about weather as, you know, interday, interweek, interseasonal variation around a general baseline, would you agree that climate change, or changing a climate would move the baseline in any direction, it would just move that baseline?

A I believe it would probably be a gradual change over time.

Q Fair enough.

Could we go to master number 3.2-3815. And this document -- do you have it up?

A Yes. If it's one that we have seen already.

Q I -- yes. Yes. This is one that OPC pulled up. And I will ask you different questions around this.

But just to confirm, this document summarizes billed versus projected energy between -- use by class between May '23 and April '24?

A Yes.

Q And if we go two pages down, does this page show narrative explanations for the variances between projected and actual sales?

A Yes, it does.

Q And under the heading peak demand -- or under the peak demands section, does it note that projected winter peaking months are now being driven by hot days rather than cold weather?

A I am reading -- I am reading it.

Q Sure. This would basically be cell H15, GH are merged --

A For that specific period, but that's not consistent in all winter months.

Q Okay.

A For that period, it was.

Q So it is your testimony that winter peaks on TECO's system are driven by heating needs rather than cooling needs?

A Can you repeat that?

Q The variance explanation on this page attributes winter peaks to -- effectively, it attributes them to cooling needs rather than heating needs, because it's saying they are happening on hot peaking days. And you are saying, that explanation applies in this context to this time period, but you would not agree that it is representative of the peaks on TECO's system?

A Correct. I don't agree. I still think heating degree days will drive the winter months peaks at times, but sometimes it is a cooling -- a cooling degree day.

I will say this first quarter of this year, which this kind of overlaps into, was the mildest period of time in -- for the -- for that -- those months in the past 50 years. Very mild.

Q Okay. And if we could go three pages down, master number ending in 3820.

Looking at this page, the projection for non-phosphate peak demand shows a clear spike between December '23 -- December of 2023 and February of 2024?

A Can you -- I need to see --

Q Sure.

A Can you scoot that up? Orange line is predicted --

Q Yeah. So the orange line in the graph is the predicted?

A Yes.

Q Okay. Sorry.

And you agree that there is a predicted spike there?

A Yes. We forecast our winter peaks to be a 31-degree day --

Q And that --

A -- 31 degrees.

Q And that spike does coincide with TECO's winter season?

A Coincides with?

Q With TECO's winter season.

A Yes. And it's evident there in that graph that our first quarter was very, very mild.

Q Right.

So you would agree that that -- the predicted or forecast winter peak did not materialize as expected?

A It did not.

Q For February, the -- this is looking up -- this will be cell five, K5, looking at the variance. So

there is three highlighted cells.

For February of 2024, the actual peak was almost 29 percent below the expected peak?

A Yes. Again, that was very mild quarter.

Q And for December, it was 30 percent below?

A For which month did you say?

Q Sorry. For December of 2023.

A It was 4.4 percent.

Q I am sorry, I am looking at the percent variance. My apologies. So this is cell I5.

A Oh, okay. Yes, I see that.

Q And similarly for January of 2024, the actual peak was 53 percent lower than expected?

A Yes.

Q Can we go to master number --

A Before we move on, can I add something?

If we were to extend this, this ends in March. If we go through last month, or May, or June and July summer peaks. I just want to point out, they were only off by eight megawatts in both June and July. Our peak demand forecast, and the forecasts in this proceeding, were basically dead on.

And I also would like to point out that we raised the forecast for this proceeding by almost one percent because we realized residential forecast had

been on the low side.

A residential forecast right now, year-to-date, July is actually three-tenths of a percent below our budget. So this forecast in this proceeding that leads into the test year is very, very accurate on a weather-normalized basis, which, you know, I like to talk about it that way. It's -- we are eight-tenths of a percent above, because we had a hot July, and we also had an upside with an industrial customer. If we remove the impacts of that customer, we are actually -- our forecast through July is 0.0 percent. We are below our budget by three gigawatt hours. That's a very, very good statistic for a forecast in a proceeding.

Q Okay. And I think you indicated this, but to confirm, you are talking about the weather-normalized for all of those numbers?

A Well, both. Even not on a weather-normalized basis, our residential forecast is three-tenths of a percent below our -- below our budget. So our budget is too high.

In total, because we had a -- some -- a hot -- hotter weather last month, as well as an industrial upside. If we remove that industrial upside, our not -- non-weather-normalized forecast is just off by, I believe, two-tenths of a percent. But if you weather

normalize that two-tenths of a percent, that's where I am saying we are 0.0 percent off on our forecast. That's three gigawatt dollars below our budget is where our actual comes in.

Q Thank you for the context.

Can we move on now to master number F16-89? And this is from hearing Exhibit 831.

CHAIRMAN LA ROSA: Mr. Luebkemann, how many more questions do you think you have for this witness?

MR. LUEBKEMANN: I have a fairly significant bit left.

CHAIRMAN LA ROSA: All right.

MR. LUEBKEMANN: If it's time for a break, this would a good time.

CHAIRMAN LA ROSA: Yeah, I think so. I agree.

Let's do that. Let's take a break until 3:45. Thank you.

(Brief recess.)

(Transcript continues in sequence in Volume 8.)

CERTIFICATE OF REPORTER

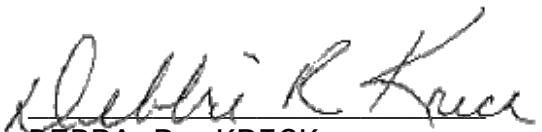
STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said videotaped proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 30th day of September, 2024.



DEBRA R. KRICK
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