



Attorneys and Counselors at Law
123 South Calhoun Street
P.O. Box 391 32302
Tallahassee, FL 32301
P: (850) 224-9115
F: (850) 222-7560
ausley.com

April 2, 2024

ELECTRONIC FILING

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

Re: Docket 20240026-EI; Petition for Rate Increase by Tampa Electric Company

Dear Mr. Teitzman:

Attached for filing on behalf of Tampa Electric Company in the above-referenced docket is the Direct Testimony of Marian Cacciatore and Exhibit No. MC-1.

Thank you for your assistance in connection with this matter.

(Document 10 of 32)

Sincerely,

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

J. Jeffrey Wahlen

cc: All parties

JJW/ne
Attachment



**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 20240026-EI
IN RE: PETITION FOR RATE INCREASE
BY TAMPA ELECTRIC COMPANY**

**PREPARED DIRECT TESTIMONY AND EXHIBIT
OF
MARIAN CACCIATORE**

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OF
MARIAN CACCIATORE

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED DIRECT TESTIMONY**

3 **OF**

4 **MARIAN CACCIATORE**

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

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

12
13 **Q.** Please describe your duties and responsibilities in that
14 position.

15
16 **A.** I am responsible for the leadership and strategic direction
17 of the human resources functions for Tampa Electric,
18 including compensation, benefits, healthcare, pension, and
19 retirement savings.

20
21 **Q.** Please provide a brief outline of your educational
22 background and business experience.

23
24 **A.** Prior to joining Tampa Electric in 2020, I served as Vice
25 President of Human Resources for a satellite communications

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

4
5 I received a bachelor's degree in business administration
6 from the University of South Florida and a master's degree
7 in human resources management from Rollins College.

8
9 **Q.** What are the purposes of your direct testimony?

10
11 **A.** The purposes of my direct testimony are to (1) provide an
12 overview of the company's Human Resource activities, (2)
13 explain the company's employee compensation system, (3)
14 show that the company's total direct compensation for 2025
15 is reasonable, (4) show that the company's benefit expense
16 for 2025 is reasonable, and (5) demonstrate that Tampa
17 Electric's 2025 test year total compensation expense is
18 reasonable.

19
20 **Q.** Have you prepared an exhibit to support your direct
21 testimony?

22
23 **A.** Yes. Exhibit No. MC-1 entitled "Exhibit of Marian
24 Cacciatore" was prepared under my direction and
25 supervision. The contents of my exhibit were derived from

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

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

7 Document No. 2 Employee Count Total and By Function
8 (2021 to 2025)

9 Document No. 3 IBEW and OPEIU Historical Base Wage
10 Adjustment (2021-2023)

11 Document No. 4 Total Annual Compensation Analysis for
12 Exempt and Non-Covered/Non-Exempt
13 Benchmarked Positions (2022-2023)

14 Document No. 5 Merit Budget History - Exempt (2021-
15 2023)

16 Document No. 6 Merit Budget History - Non-Covered/Non-
17 Exempt (2021-2023)

18 Document No. 7 Utility Comparison - Total Salaries and
19 Wages as a Percent of Operations and
20 Maintenance Expense (2023)

21 Document No. 8 Tampa Electric Benefits Package
22 Description

23 Document No. 9 2023 Benefits Valuation Analysis
24 ("BVA")

25 Document No. 10 Mercer - Average Annual Health Benefits

1 Cost Per Employee (2021-2023)

2
3 **Q.** Do you sponsor any sections of Tampa Electric's Minimum
4 Filing Requirement ("MFR") Schedules?

5
6 **A.** Yes. I sponsor or co-sponsor the MFR Schedules listed in
7 Document No. 1 of my exhibit. The contents of these MFR
8 Schedules were derived from the business records of the
9 company and are true and correct to the best of my
10 information and belief.

11
12 **HUMAN RESOURCE OVERVIEW**

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

14
15 **A.** The company employs approximately 34 team members in the
16 Human Resource Department, which is divided into two areas:
17 Total Rewards and Human Resource Operations ("HR
18 Operations"). The Total Rewards area manages the Human
19 Resource Information System ("HRIS"), compensation, and
20 benefits. HR Operations is responsible for talent
21 acquisition, labor relations, training and development, and
22 change management.

23
24 **Q.** Does the Human Resource Department provide human resource
25 services to affiliates of Tampa Electric?

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

11
12 **Q.** Did the creation of a Human Resource Department at Peoples
13 impact the level of staffing in the Tampa Electric Human
14 Resource Department?

15
16 **A.** Yes, but minimally. Prior to 2021, Tampa Electric provided
17 shared services to Peoples for Learning and Development
18 programs. In 2021, Peoples' Human Resource Department took
19 over Learning and Development, and Tampa Electric reduced
20 its Learning and Development team by two team members.

21
22 **Q.** How are the capital additions and operations and maintenance
23 ("O&M") expenses associated with the Human Resource
24 Department reflected in the minimum filing requirement
25 schedules and testimony in this case?

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

7
8 **Q.** What is the goal of Tampa Electric's Human Resource
9 Department?

10
11 **A.** Our purpose is to help the company achieve its goals by
12 getting the right people in the right roles with the right
13 training.

14
15 GUIDING PRINCIPLES

16 **Q.** What are Tampa Electric's strategic goals?

17
18 **A.** The company has three overall strategic goals: (1) create
19 new value for customers, (2) strengthen and modernize the
20 grid, and (3) provide clean and reliable generation.
21 Achieving these goals requires operational excellence,
22 which means world class safety. Additionally, it requires
23 embracing innovation, using data and technology to make
24 smarter decisions for operations and customers,
25 continuously improving our business processes, and engaging

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

4
5 **Q.** What is Tampa Electric's general philosophy for its team
6 members?

7
8 **A.** Tampa Electric understands the company's value to our
9 customers, communities and owners is guided by our team
10 members, who must be focused on meeting the needs of our
11 customers today and in the future. We want team members who
12 are committed to world-class safety and who work
13 relentlessly to be safe every moment of every day. The
14 company seeks to hire and retain skilled team members who
15 are committed to collaboration at a time when the electric
16 industry is changing rapidly. Our team members must embrace
17 innovations that safely and efficiently deliver clean and
18 reliable energy to our customers. We also want team members
19 who strive to cost-effectively deliver excellence in all
20 aspects of our operations.

21
22 **Q.** What are the company's core team member values?

23
24 **A.** Our core team member values include (1) putting safety above
25 all else; (2) putting customers at the center of everything

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

7
8 **Q.** What principles does Tampa Electric strive to develop in
9 team members?

10
11 **A.** Tampa Electric seeks to develop seven leadership
12 competencies in its managers and team members. These
13 competencies include:

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

21
22 TEAM MEMBER OVERVIEW

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

24
25 **A.** Tampa Electric currently employs approximately 2,500

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

13
14 **Q.** Has Tampa Electric experienced challenges in the labor
15 market since 2021?

16
17 **A.** Yes. During 2021 and 2022, Florida's labor market
18 experienced a very low unemployment rate and an influx of
19 high-wage talent moving into the state, which combined to
20 create a very challenging recruiting environment.
21 Candidates demanded higher wages and more flexible work
22 arrangements, which made it more difficult to attract and
23 hire qualified employees. Tampa Electric responded to these
24 challenges by providing competitive compensation and
25 market-driven benefits.

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

3

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

10

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

13

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

22

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

24

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

1 and co-op student employees.

2

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

4

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

11

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

13

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

16

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

18

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

23

24 **EMPLOYEE COMPENSATION**

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

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

6
7 We evaluate the competitiveness of our pay program by
8 focusing on Total Direct Compensation, which includes base
9 pay (salary or hourly), short-term incentive plans
10 ("STIP"), and long-term incentive plans ("LTIP"). All three
11 elements are important, serve specific purposes, and work
12 together.

13
14 **Q.** Please describe the company's general system for
15 compensating its team members.

16
17 **A.** Tampa Electric compensates its team members with a
18 combination of direct compensation and benefits. The direct
19 compensation element has three parts: base compensation,
20 short-term incentive compensation, and long-term incentive
21 compensation. Our benefits generally include different
22 types of health insurance plans, retirement plans, and
23 disability insurance. I will explain each of these
24 compensation elements and our benefits program in more
25 detail below.

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

8
9 Tampa Electric's compensation system reflects a pay for
10 performance model focused on total compensation that aligns
11 the interests of our team members and customers. We have
12 designed our compensation system to reflect market values,
13 promote internal equity, and to be viewed as reasonable
14 when we establish the electric rates to be paid by our
15 customers.

16
17 Keeping the company's compensation packages competitive
18 involves making an appropriate portion of a team member's
19 total compensation "variable" or "at risk" through
20 incentive compensation programs that reward good
21 performance. Our incentive compensation programs encourage
22 our team members to focus on safety, reliability,
23 organizational performance, and improving the customer
24 experience.

25

1 **TOTAL DIRECT COMPENSATION**

2 BASE COMPENSATION

3 **Q.** What is base compensation?

4
5 **A.** Base compensation (or base pay) is the pay team members
6 receive bi-weekly and is either hourly wages or a salary.

7
8 **Q.** Do team members automatically get a base pay increase each
9 year?

10
11 **A.** Team members who are covered by a CBA are eligible for base
12 pay increases based on the applicable CBA. Non-covered team
13 members do not get automatic annual base pay increases but
14 are eligible for a merit increase.

15
16 **Q.** Please explain the company's process for making merit
17 increases.

18
19 **A.** The company has an annual merit review process that
20 identifies and encourages strong performance by giving team
21 members an opportunity for a base salary annual increase
22 based on individual performance. Our merit review process
23 enables the company to retain strong performing talent and
24 remain competitive with the market.

25

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

6
7 At the beginning of each year, our team members establish
8 performance goals and reaffirm their position
9 accountabilities with their performance coaches. Tampa
10 Electric's performance coaches work with team members to
11 ensure that an individual team member's annual goals align
12 with the company's annual objectives as set out in the
13 company's STIP programs. They also ensure that a team
14 member's position accountabilities align with the team
15 member's specific role functions.

16
17 We conduct performance reviews for team members as the end
18 of the year approaches. Our performance coaches assess an
19 individual's performance based on their goals and evaluate
20 a team member's progress developing the Leadership
21 Competencies described above. We assess team members on a
22 five-point scale based on expectations: Significantly
23 Exceeds; Exceeds Many; Fully Meets; Meets Most; and Does
24 Not Meet Job Expectations; and Must Improve to Be Effective.

25

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

8
9 Merit adjustments typically are a base pay increase;
10 however, a team member may not be eligible for a base salary
11 increase if the individual's performance does not meet
12 expectations or if the team member's base salary is already
13 positioned competitively relative to the salary grade mid-
14 point. The company's officers review and approve each
15 proposed merit increase, and the President approves the
16 final total annual merit amount.

17
18 **Q.** Are team members covered by a CBA eligible for merit
19 increases?

20
21 **A.** No. Team members covered by a CBA do not participate in
22 Tampa Electric's merit process. The company negotiates with
23 each union during each contract cycle, and an annual base
24 wage adjustment is normally included in the final overall
25 agreement. Document No. 3 of my exhibit summarizes the base

1 wage adjustments for each union during the period 2021 to
2 2023.

3
4 SHORT-TERM INCENTIVE PLAN

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

7
8 **A.** Tampa Electric's STIP compensates team members for the
9 achievement of annual company objectives. This variable
10 bonus plan incentivizes individual performance and
11 contribution to annual company goals. Achieving the STIP
12 objectives is intended to benefit customers, both directly
13 and indirectly.

14
15 The objectives for STIP center around performance in the
16 areas of (1) Safety; (2) People; (3) Customer Experience;
17 (4) Asset Management; and (5) Financial. The company's
18 objectives in each of these areas are as follows:

19 1. Safety: Achieve World Class Safety by developing a
20 culture of safety leadership and a reduction in serious
21 injuries.

22
23 2. People: Develop the company's human capabilities to
24 shape and achieve its strategic vision by building
25 team member commitment, standardizing work processes,

1 and developing team members and leaders.

2
3 3. Customer Experience: Provide outstanding customer
4 service in ways that result in customer loyalty and
5 dedication by reaching high customer satisfaction
6 levels as measured by multiple key customer service
7 metrics.

8
9 4. Asset Management: Realize high operating performance
10 with a continued focus on safety, compliance, and
11 strategic growth.

12
13 5. Financial: Achieve solid financial results and
14 effective cash flow management.

15
16 **Q.** Is there only one STIP applicable to all employees?

17
18 **A.** No, there are two plans. The first is called the Balanced
19 Scorecard ("BSC"). The second is called the Performance
20 Sharing Program ("PSP").

21
22 **Q.** Please describe the BSC.

23
24 **A.** The BSC is set each year with threshold, target, and stretch
25 goals for the company to achieve during the calendar year.

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

5
6 **Q.** Please describe the PSP.

7
8 **A.** The PSP applies to IBEW covered employees and has a profit-
9 sharing component based on the company's performance. The
10 PSP has an operations target of six percent, which includes
11 safety, employees, customer, operating performance, and
12 financial goals. The profit-sharing target is up to six
13 percent and is based on net income goals. The sum of these
14 two targets is the maximum potential PSP payout team members
15 may receive based on actual results and is calculated as
16 the achieved PSP percentage multiplied by a team member's
17 eligible annual earnings.

18
19 LONG-TERM INCENTIVE PLAN

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

22
23 **A.** Tampa Electric's LTIP is a compensation and retention
24 program for team members in key senior leadership
25 positions. The LTIP program encourages team members to

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

10
11 LTIP is administered through the Emera Performance Share
12 Unit ("PSU") Plan and the EMERA Restricted Share Unit
13 ("RSU") Plan. A PSU or RSU is an equity-based compensation
14 granted to team members and refers to a unit equivalent
15 value of an Emera common share. Each grant has a
16 performance, or vesting, period of three calendar years.
17 Both PSU and RSU grants are affected by the Emera share
18 price. A PSU grant is subject to the achievement of pre-
19 determined financial objectives. At the end of the three-
20 year vesting or performance period, the grants for that
21 period are paid out. A PSU payout factor is a comparison of
22 Emera's performance results against the financial
23 objectives set for that period. The purpose of these plans
24 is to align leaders' long-term incentive pay with Emera
25 corporate goals that focus on creating and preserving long

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

5
6 REASONABLENESS OF TOTAL DIRECT COMPENSATION

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

10
11 **A.** Tampa Electric targets the median (middle) of the market.
12 Using the market median is a compensation best practice and
13 is better than using the mean or average, because the median
14 is less sensitive to outliers in market data. Targeting the
15 median allows the company to balance its desire to hire and
16 retain quality team members with its desire to maintain
17 reasonable customer rates.

18
19 **Q.** What tools does the company use to align TDC with the market
20 median?

21
22 **A.** In addition to Tampa Electric's annual market assessments,
23 in 2019, we conducted a comprehensive compensation review
24 to align the company's compensation system for non-covered
25 employees more closely to the market. The company used

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

6
7 **Q.** What changes did the company make based on the last
8 comprehensive review conducted in 2019?

9
10 **A.** Based on the 2019 comprehensive review, Tampa Electric
11 adopted a new market-based salary scale in 2020. The company
12 consolidated 21 previous job grades into 11 grades, so each
13 grade now contains jobs similar in knowledge, skills, and
14 abilities. The company used average market references for
15 the benchmarked jobs by grade to create a mid-point salary
16 for each grade, and then established salary ranges by grade
17 equal to 20 percent above and below the mid-point. The
18 resulting salary scales allow the company to set a team
19 member's salary within the applicable range based on the
20 team member's mastery of the role, critical skills, and
21 performance for the job. Our salary scale is now more
22 efficient to administer, provides greater internal equity,
23 and maintains our average total annual compensation for
24 benchmarked exempt and non-covered/non-exempt ("NC/NE")
25 positions relative to the market median (50th percentile).

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

3

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

5

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

8

9 **Q.** What evidence supports this statement?

10

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

23

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

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

7
8 **Q.** Has the company made any other comparisons that support the
9 reasonableness of its salary and wage levels?

10
11 **A.** Yes. We compared Tampa Electric's total salaries and wages
12 to 15 other utilities in the Southeastern United States as
13 reported in the Federal Energy Regulatory Commission
14 ("FERC") Form-1 annual report for 2022. This analysis
15 focused on total salaries and wages as a percentage of total
16 operations and maintenance expenses. Tampa Electric's
17 percentage is close to the median for this benchmark group
18 as shown on Document No. 7 of my exhibit.

19
20 **Q.** Are the company's compensation systems and levels
21 reasonable considering the recent economic changes and
22 current unemployment levels?

23
24 **A.** Yes. Attracting and retaining a qualified work force over
25 the long term is one of the many challenges facing the

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

11
12 These changing dynamics make ensuring the company has a
13 competitive compensation system for the long-term more
14 important than ever. Without competitive salaries and
15 wages, the company will lose well-qualified and talented
16 team members and have a difficult time attracting
17 prospective talent. Although a certain amount of employee
18 turnover may be healthy, excessive turnover can negatively
19 affect the level of service Tampa Electric provides to our
20 customers.

21
22 **BENEFITS**

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

24
25 **A.** The company's benefits package is designed to maintain a

1 competitive position within the market so the company can
2 attract, retain, and develop competent and qualified team
3 members. Our benefits package includes consumer driven
4 plans, including: (1) health plans; (2) pharmacy plans; (3)
5 employee family assistance plans; (4) dental and vision
6 plans; (5) flexible benefit plans (Healthcare FSA,
7 Dependent Care FSA, and Transportation and Parking FSA);
8 (6) life insurance (basic, supplemental, spouse, and
9 child); (7) accidental death and dismemberment (basic and
10 supplemental); (8) long-term care insurance; (9) paid
11 parental leave; (10) group retirement plans; (11) long-term
12 disability; and (12) retiree medical. Document No. 8 of my
13 exhibit includes a more detailed description of these plans.
14

15 **Q.** How does Tampa Electric manage the design and cost of its
16 benefit programs?
17

18 **A.** Tampa Electric has an experienced internal human resource
19 ("HR") team that is actively involved in benefit plan
20 management. The HR team partners with Mercer to identify
21 and address issues efficiently and implement solutions that
22 operate the benefit programs effectively.
23

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

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

11
12 To manage the cost of the medical program, Tampa Electric
13 employs the Blue Cross and Blue Shield ("BCBS") medical
14 management program and the patient care connection ("PCC")
15 program. These programs identify and manage patients with
16 chronic and acute conditions who are most likely to increase
17 costs. These programs work with the affected family as well
18 as medical providers to ensure optimal treatment in the
19 most cost-effective setting.

20
21 For pharmacy cost management, Tampa Electric participates
22 in a collective purchasing arrangement, which capitalizes
23 on the purchasing power of over a million members to achieve
24 lower ingredient access cost and maximized net cost
25 efficiency.

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

7
8 HEALTHCARE BENEFITS

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

11
12 **A.** Tampa Electric evaluates the design and costs through
13 benchmark data provided by Mercer. The company can evaluate
14 competitive positioning with regard to plan design,
15 employee contributions, and aggregate costs, against
16 multiple comparison groups. Benchmark data is available for
17 all of Tampa Electric's benefit plans. The company's
18 position relative to these benchmarks is then compared to
19 the company's desired position as dictated by its total
20 rewards philosophies, and adjustments are made as needed.
21 Document No. 10 of my exhibit shows the average annual
22 health benefits cost per employee.

23
24 The company operates its health plans with appropriate
25 fiduciary due diligence. Tampa Electric employs Mercer,

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

12
13 **Q.** Has the company evaluated its healthcare plan against the
14 market?

15
16 **A.** Yes. The company annually benchmarks its medical, pharmacy,
17 and dental plans using Mercer's proprietary databases.
18 Additionally, based on the results from Mercer's Benefits
19 Valuation Analysis ("BVA"), as shown in Document No. 9, the
20 company's relative value index score of 100 (median value)
21 for medical and 116 (above median value) for dental
22 indicates market competitiveness for medical, and above
23 market positioning for dental, because the company provides
24 a richer dental plan compared to the median plan.

25

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

3
4 **A.** As shown in Document No. 9, the company uses Mercer's BVA.
5 The BVA displays a series of charts that show a company's
6 benefit plan market value compared to those of peer
7 organizations. Mercer displays the data by plan grouping,
8 and by plan, based on Mercer's national composite
9 workforce, which consists of generic employee profiles that
10 represent a typical employee population. The relative value
11 is determined using consistently applied assumptions to
12 estimate the dollar value attributed to all benefits
13 offered by the employer - it is not equivalent to direct
14 employer costs. This approach removes influences of
15 negotiating power, utilization, and other factors tied to
16 cost so that the focus is on the value determined by plan
17 design and employee cost-share. The group used for the
18 comparison includes 25 utility companies with annual
19 revenues that range from \$4.2 million to \$14.4 million as
20 well as 545 For-Profit Companies that are similar in size.
21 To compare Tampa Electric's competitive position relative
22 to the peer group, the charts referenced in Document No. 8
23 show where Tampa Electric leads and lags according to the
24 following criteria:

- Values: Shows the range of dollar values for all

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

11
12 The current environment of higher inflation may impact
13 healthcare costs, so there is still reason to consider
14 potential additional inflation impact on trend for the 2024-
15 2025 plan years. Given the multi-year nature of provider
16 contracts, it is taking time for the full impact of inflation
17 to emerge. By the end of 2024, we will be at the end of a
18 three-year period where a majority of contracts may have
19 been renewed during an elevated inflationary environment.
20 Those contract negotiations during 2023, 2024 and into 2025
21 will have the benefit of hindsight in securing higher
22 increases to mitigate historically persistent inflationary
23 pressures. Ultimately, the cost increases negotiated by the
24 carriers with network facilities and providers will be a key
25 determinant of the magnitude of inflationary impact. Tampa

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

6
7 **Q.** What specific actions has Tampa Electric taken to ensure
8 its healthcare costs are reasonable?

9
10 **A.** Through Tampa Electric's partnerships with industry experts
11 such as Mercer and BCBS, the company has implemented
12 initiatives to ensure its healthcare costs are reasonable.
13 These initiatives include:

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

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

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

12
13 **Q.** How does the increase in Tampa Electric's healthcare costs
14 per team member from 2021 to 2023 compare to the average
15 national increase for those years?
16

17 **A.** For 2021, Tampa Electric's medical and dental costs for
18 active team members were \$31.7 million, or \$13,163 per
19 active team member. In 2023, Tampa Electric's medical and
20 dental costs for active team members were \$29.6 million, or
21 \$11,863 per team member, a decrease of 9.9 percent compared
22 to 2021. According to Mercer's National Survey of Employer-
23 Sponsored Health Plans, the national increase in health
24 benefit costs in 2021 and 2023 was an average increase of
25 4.9 percent; 6.2 percent with no plan changes.

1 PENSION AND RETIREMENT BENEFITS

2 **Q.** Please describe the pension and retirement savings plans
3 and how they compare to industry standards?
4

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

- 7 1. TECO Energy Group Retirement Plan (a qualified defined
8 benefit pension plan). Eligible team members become a
9 participant on the first day of the month after
10 completing a year of employment provided the team member
11 is age 21 by that date. If not age 21 at that time, the
12 team member will become a plan participant on the first
13 day of the month after reaching age 21.
14

15 Active participants earn a portion of the benefit each
16 year. The benefit earned at any point in time is called
17 an accrued benefit. Once a team member has completed
18 three years of service or reaches age 65 (whichever
19 occurs first) while a Tampa Electric employee, they
20 receive this benefit even if they leave the company
21 before retirement.
22

23 The following are the formulas based on when the
24 employee became a participant in the plan.
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- 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:
 - o 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

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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.

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

12
13 Team members can contribute on a pre-tax or after-tax
14 basis from one percent to 50 percent of eligible
15 compensation. Eligible compensation includes base pay,
16 bonus, incentive, commission, and overtime earnings.
17 Team members can make changes to their contributions at
18 any time.

19
20 The company matches \$0.75 for every \$1 the employee
21 contributes, up to the first six percent of their pay
22 per pay period. Fixed matching contributions are made
23 to the team member's account each pay period and are
24 automatically invested in the same manner as the team
25 member's contributions to the plan.

1 The company adds a performance match based upon the
2 achievement of certain business financial goals, up to
3 \$0.25 for every \$1 a team member contributes, up to the
4 first six percent of their pay per pay period. The
5 performance match is paid in the first quarter of the
6 year for the previous year and is automatically invested
7 in the same manner as the team member's fixed matching
8 contributions.

9
10 The fixed match and the performance match result in a
11 potential match of \$1 for every \$1 contributed to the
12 plan, up to the first six percent of the team member's
13 pay per pay period.

14
15 IBEW CBA Employees - Employees covered by the IBEW CBA
16 (other than *grandfathered members) will not be eligible
17 for the fixed match or the performance match.

18
19 Employees covered by the IBEW CBA (other than
20 grandfathered members) will be eligible to receive a
21 non-elective employer contribution on a bi-weekly basis
22 equal to a percentage of the member's compensation for
23 that period (the IBEW member contribution).

24
25 The percentage will be based on years of tenure, as

1 follows:

2

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

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4
5

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

10
11 3. TECO Energy Group Benefit Restoration Plan (a
12 nonqualified defined benefit pension plan). The TECO
13 Energy Group Restoration Plan provides non-qualified
14 benefits for team members who receive pensionable
15 earnings over the annual pay limit, determined by IRS
16 401(a)17).

17
18 Team members whose employment status is grade 11 and
19 above and who are a member of a "select group of
20 management" team members within the meaning of ERISA
21 Section 201 (2) are eligible to participate in the plan.

22
23 4. TECO Energy Group Supplemental Executive Retirement Plan
24 ("SERP") (a nonqualified defined benefit pension plan):

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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

1 in 2023 and found that 11, including Tampa Electric, provide
2 an active defined benefit plan to newly hired non-union
3 team members. Of the plans that are offered today, the value
4 of Tampa Electric's combined and defined contribution
5 program for non-union team members is at the 50th percentile
6 of all 26 companies in the peer group.
7

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

11 **A.** As shown in Document No. 9 of my exhibit, based on the
12 results from the 2023 Mercer Benefits Valuation study,
13 Tampa Electric's relative value index score for the
14 combination of the defined benefit and defined contribution
15 plans is 102 for non-union (Exempt and NC/NE) team members
16 and 143 for IBEW union team members. Both are above the
17 index median of 100. This means that the company's defined
18 benefit and defined contribution plans are competitive
19 relative to its peers.
20

21 **Q.** Is it common to use an independent actuarial firm to compute
22 pension and post-retirement benefit costs?
23

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

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

16
17 **Q.** Do the actuarial assumptions and methods provide a
18 reasonable basis for determining the level of pension costs
19 to be included in the company's operating cost?

20
21 **A.** Yes. The actuarial assumptions and methods are reasonable
22 and consistent with Financial Accounting Standards Board
23 ("FASB") standards and industry practice and provide a
24 reasonable basis for determining the level of pension cost
25 included in Tampa Electric's cost of service studies. The

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

2
3 **2025 TEST YEAR TOTAL COMPENSATION EXPENSES**

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

6
7 **A.** Our employee projections are based on the resource needs
8 across operations so that we meet our strategic priorities
9 and better serve our customers. As previously noted, we
10 only added 138 new employee positions since 2021. We project
11 to increase our employee count by 54 employees in 2024 for
12 a total of 2,547, or about two percent. We also project
13 that our employee count will remain constant at 2,547 in
14 2025. These changes are shown on Document No. 2 of my
15 exhibit. These projected employee levels will allow the
16 company to continue to support our customers with skilled
17 professionals who can provide reliable, efficient, and
18 customer-focused services.

19
20 **Q.** What actions has Tampa Electric taken since its last base
21 rate case in 2021 to control the number of employees?

22
23 **A.** The company requires business case and management approvals
24 as high as the President and Chief Executive Officer for
25 all new positions. Additionally, when a role becomes vacant,

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

3

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

6

7 **A.** The company projects the average number of team members for
8 2025 to be 2,547. The projected O&M impact from adding team
9 members in 2024 and 2025 is shown on MFR Schedule C-35
10 sponsored by Tampa Electric witness Jeff Chronister.

11

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

14

15 **A.** Tampa Electric's 2025 budgeted gross average salary per
16 active team member is \$116,217 as compared to \$108,017 in
17 2021. This represents an increase of 7.6 percent since 2021
18 and an average growth rate of 2 percent per year. This
19 average annual growth rate is consistent with the average
20 of actual and forecasted CPI included in Schedule C-35 for
21 the period from 2021 - 2025.

22

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

25

1 **A.** Tampa Electric's 2025 budgeted average payroll and fringe
2 cost per active team member is \$147,982 as compared to
3 \$142,383 in 2021. This represents an increase of 3.9 percent
4 since 2021 and an average growth rate of 1 percent per year.
5 The annual growth rate is consistent with the average actual
6 and forecasted CPI included in MFR Schedule C-35 for the
7 period from 2021 - 2025.

8
9 **Q.** You testified that the company's TDC in 2025 is reasonable
10 and explained why. What level of merit increases is the
11 company projecting for 2023, 2024, and 2025?

12
13 **A.** The 2023 to 2024 merit increase is 3.75 percent and the
14 merit increases for 2024 to 2025 are projected to be 3.75
15 percent. These increases are reflected in the base pay
16 component of projected 2024 salary and wages expenses. Based
17 on national market sources such as Mercer, World at Work,
18 and Gartner, increases are trending at approximately 3.5 -
19 4 percent.

20
21 **Q.** What is the company's projected STIP cost for 2025 and how
22 does that amount compare to the 2023 historic base year?

23
24 **A.** The company's projected STIP cost for the 2025 test year
25 will be \$28.2 million and is reasonable. This projected

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

7
8 **Q.** What is the company's projected LTIP cost for the 2025
9 projected test year as compared to the 2023 historic base
10 year?

11
12 **A.** The company's projected LTIP cost for the projected test
13 year is approximately \$6.83 million, which is higher than
14 the 2023 cost of \$4.00 million.

15
16 **Q.** Taken together, are the 2025 projected amounts for base
17 pay, STIP and LTIP (i.e., TDC) reasonable?

18
19 **A.** Yes. As previously indicated, the market value of our TDC
20 expense is 99.5 percent of the market median, which implies
21 that we are paying within the market median and in support
22 of our compensation philosophy that attracts, retains,
23 develops, and rewards talent. In addition, we monitor our
24 pay practices to ensure they conform with policy guidelines.

25

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

3
4 **A.** The company used the negotiated increases included in the
5 current CBA to calculate payroll increases for covered
6 employees. The increases reflected in CBA for IBEW Local
7 108 are as follows: 1.00 percent for 2019, 2.00 percent for
8 2020, 3.00 percent for 2021, 3.25 percent for 2022, and
9 3.50 percent for 2023. This CBA expires March 31, 2024, and
10 is currently being negotiated. We forecasted the 2024 and
11 2025 increases based on market survey data, so the
12 forecasted expense amounts for 2025 are market-based and
13 reasonable.

14
15 We concluded our negotiations with OPEIU Local 46 at the
16 end of 2020. The resulting CBA contains the following base
17 rate increases: 3.00 percent for 2021, 2.75 percent for
18 2022, and 2.75 percent for 2023. This CBA expired December
19 31, 2023; however, a payroll increase of 3.0 percent was
20 negotiated for 2024. The CBA will be negotiated in quarter
21 three of 2024. We forecasted the 2025 increase using market
22 data, so the 2025 expense amount is market-based and is
23 reasonable.

24
25 **Q.** What is the company's gross benefits cost for the 2025

1 projected test year as compared to 2023?
2

3 **A.** Tampa Electric's total gross benefits cost is projected to
4 be approximately \$80.9 million in 2025. This amount is
5 reasonable. The company's total benefits cost in 2023 was
6 \$72.8 million. The change is primarily due to increased
7 projected healthcare costs for active team members and
8 increased projected pension costs. The factors causing
9 these increased costs are further described below. Despite
10 the expected increases in healthcare related costs from
11 2023 through 2025, Tampa Electric's overall ability to
12 control benefit costs has contributed to total projected
13 Administrative & General costs in the test year falling
14 below the benchmark, as outlined in MFR Schedule C-37.
15

16 **Q.** How do the gross benefits costs compare with the amounts
17 the company has included in O&M FERC Account 926 Pension
18 and Benefits?
19

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

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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.

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

3
4 **A.** Yes. From 2020 to 2023, the company observed (1) the impact
5 on medical and dental expense as a result of the disruption
6 in access to care during the COVID-19 pandemic; and (2) a
7 sharp rise in the utilization of high-cost specialty drugs.

8
9 During the COVID-19 pandemic, there was a significant
10 amount of unusual activity in medical and dental expenses
11 across the U.S. for all health plans. These activities
12 primarily included (1) disruptions in the usual access to
13 medical care and a corresponding reduction in claims
14 activity; and (2) a significant decline in healthcare
15 spending overall.

16
17 Because Tampa Electric's team members were deemed
18 "essential workers" and required to work during this time,
19 the company did not experience a decline in claims activity
20 as significantly as other organizations. The diminished
21 ability to access care during the pandemic had a negative
22 impact for many medical plan participants in delayed
23 disease detection and diagnosis. This diminished access
24 contributed to higher unusual claims activity than the
25 company's historical experience, with a smaller claims

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

3
4 Another factor impacting claims volume and the ability to
5 predict the number of claims is the rise in specialty drug
6 claims. Specialty drugs are generally high-cost drugs,
7 difficult to handle or administer, and that treat complex
8 conditions. Once an uncommon occurrence, specialty drug
9 claims have become increasingly more frequent due to the
10 prevalence in their utilization. The cost of specialty
11 drugs has increased sharply over the past few years and
12 continues to rise. Specialty drug claims and their
13 associated costs are approximately 40 percent of Tampa
14 Electric's overall pharmacy claim spend. Claims are
15 expected to increase due to reasons including, but not
16 limited to, innovations in technology, continued biosimilar
17 launches, new cellular and gene therapy entrants, and
18 ongoing increased evolution and utilization of weight loss
19 treatments (GLP-1) - which will impact medical plan costs.

20
21 **Q.** What is the company's retirement expense for pension and
22 retirement savings in the 2025 projected test year?

23
24 **A.** The total retirement expense for pension in the 2025
25 projected test year is \$1.45 million. This includes \$1.22

1 million for the Retirement Plan, \$106,816 for the SERP, and
2 \$129,649 for the Restoration Plan. The total retirement
3 expense for pension in the 2023 historical prior year is
4 \$921,906. This includes \$1.60 million of income for the
5 Retirement Plan, \$1.32 million of expense for the SERP, and
6 \$1.20 million of expense for the Restoration Plan. As a
7 result of our actuarial valuation, pension expense is
8 expected to increase by \$531,946 from 2023 to 2025. The
9 major reasons for this cost increase are an increase in
10 pension expense due to the phasing in of significant 2022
11 asset losses over five years partially offset by a decrease
12 in SERP and Restoration plan expense as no retirements or
13 settlement expense are assumed in 2025.

14
15 The projected pension expenses are based on actuarial
16 studies, are reasonable, and are included in FERC Account
17 926 as shown on MFR Schedule C-17.

18
19 **Q.** What amount of projected test year salaries and benefits
20 expense, including incentive compensation, should be
21 approved for the 2025 projected test year?

22
23 **A.** As outlined in MFR Schedule C-35, Tampa Electric's total
24 compensation and benefits cost is projected to be \$376.9
25 million for 2025.

1 Q. Is this amount reasonable?

2

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

12

13 **SUMMARY**

14 Q. Please summarize your prepared direct testimony.

15

16 A. Tampa Electric's total compensation package is reasonable
17 and benefits customers by ensuring the company attracts and
18 retains skilled, talented, and customer-focused team
19 members that safely deliver reliable service for our
20 customers. Tampa Electric's pay program is structured to be
21 at the market median and is based on total direct
22 compensation. Additionally, the company's benefits and
23 retirement programs are reasonable and competitive and
24 allow the company to retain and attract high quality team
25 members who are committed to safely providing excellent,

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reliable service to Tampa Electric's customers.

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

TAMPA ELECTRIC COMPANY
DOCKET NO.20240026-EI
WITNESS: CACCIATORE

EXHIBIT

OF

MARIAN CACCIATORE

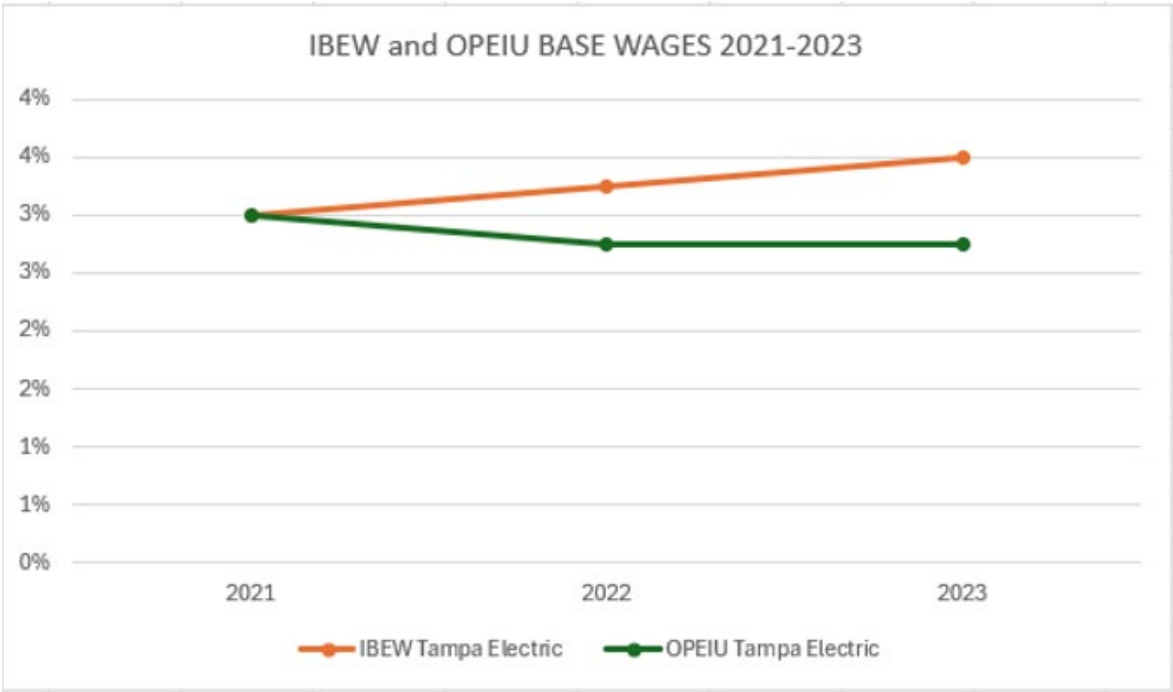
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LIST OF MINIMUM FILING REQUIREMENT SCHEDULES
SPONSORED OR CO-SPONSORED BY MARIAN CACCIATORE

MFR Schedule	Title
C-06	Budgeted Versus Actual Operating Revenues and Expenses
C-08	Detail of Changes in Expenses
C-17	Pension Cost
C-35	Payroll and Fringe Benefit Increases Compared to CPI
C-37	O&M Benchmark Comparison by Function
C-41	O&M Benchmark Variance by Function
F-8	Assumptions

Area	2021	2022	2023	2024	2025	Employee Count Change (25 vs 21)	%
	Actual	Actual	Actual	Budget	Budget		
Electric Delivery	978	1,013	1,028	1,081	1,081	103	11%
Energy Supply	575	581	607	613	613	37	6%
Customer Experience	411	407	393	379	379	(32)	-8%
Information Technology	179	200	196	202	202	23	13%
Corporate Areas	262	257	265	265	265	3	1%
ZapCap Program	4	4	4	5	5	1	25%
Unregulated Lighting	-	-	-	4	4	4	100%
Total	2,410	2,461	2,493	2,547	2,547	138	6%



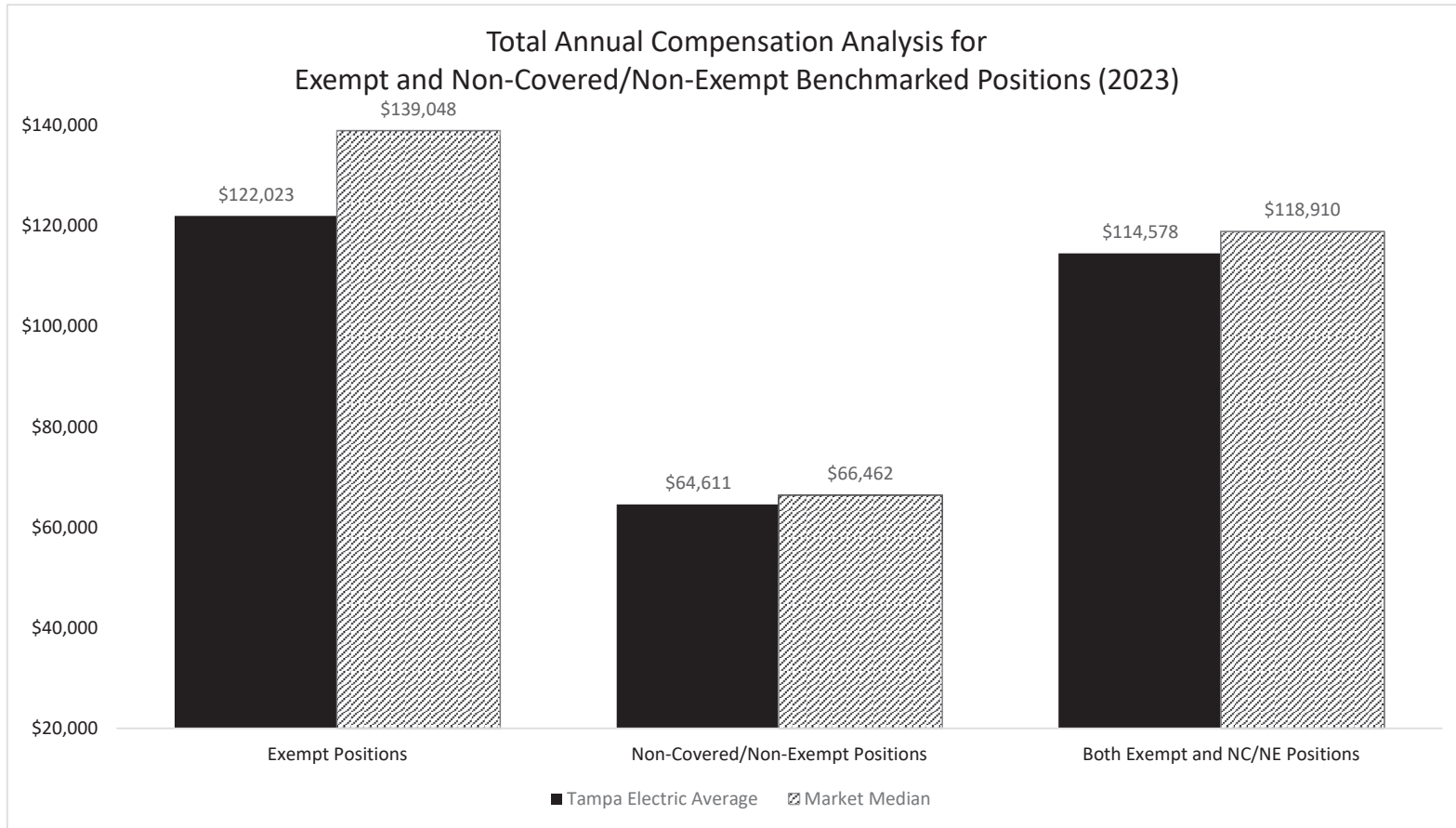
IBEW Average 3.25%

OPEIU Average: 2.83%

Submitted Feb 15, 2024

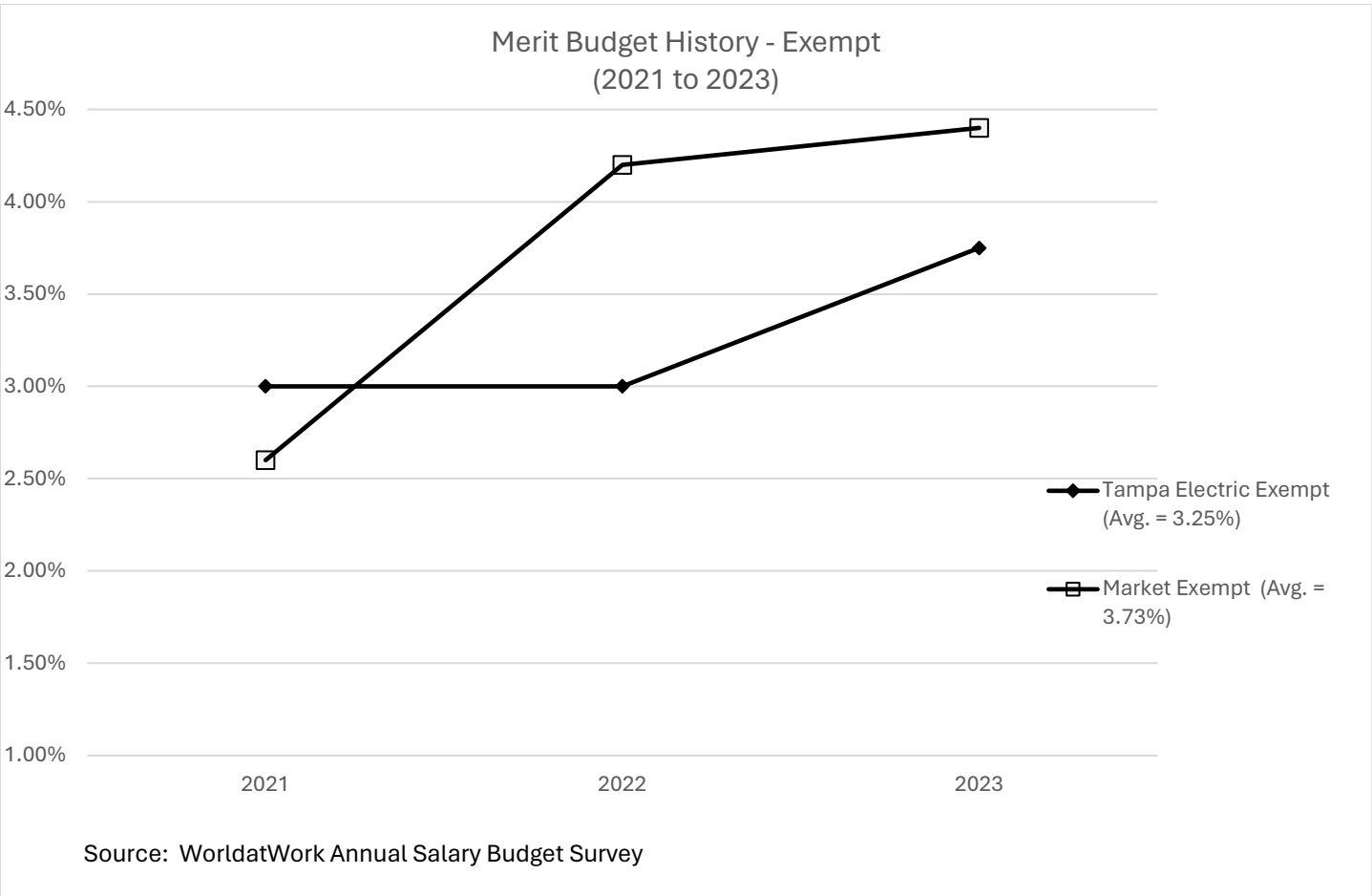
Average TDC (\$)

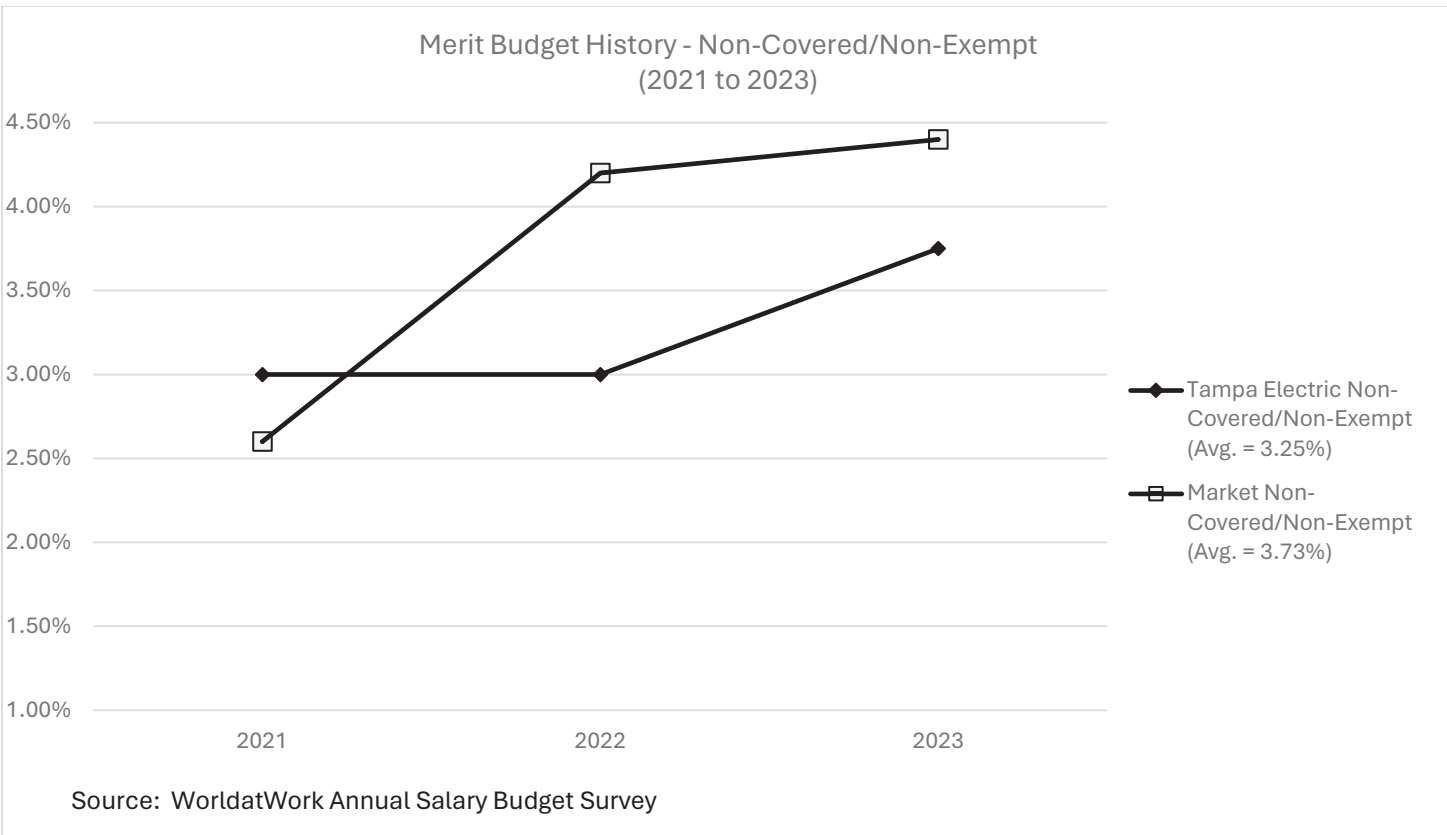
Market Median is the Median of applicable TDC grade midpoints



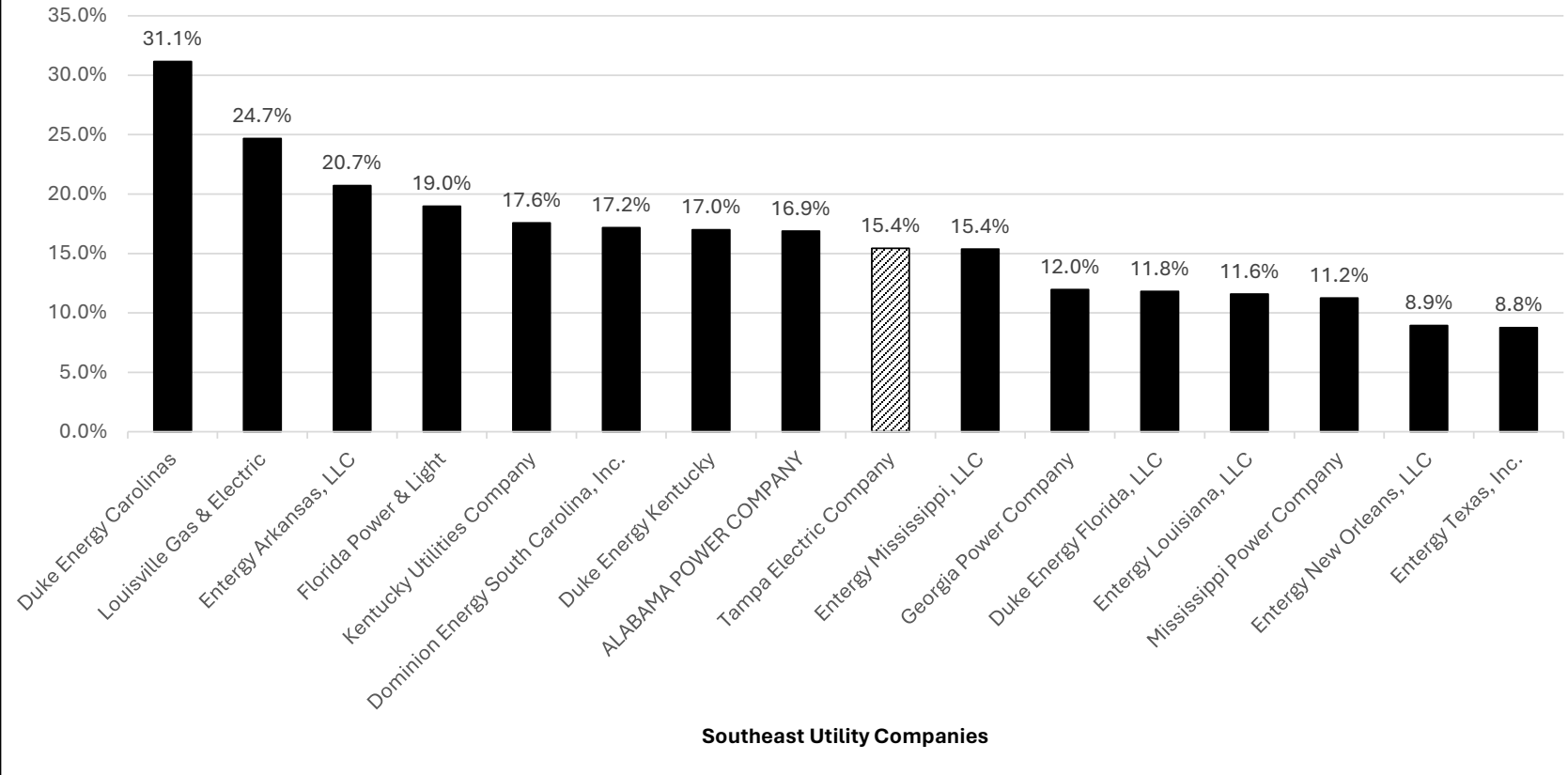
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TAMPA ELECTRIC COMPANY
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WITNESS: CACCIATORE
DOCUMENT NO. 4
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Utility Comparison - Total Salaries and Wages as a Percent of Operations and Maintenance Expense (2022)



Southeast Utility Companies

Source Data: FERC Form 1 Annual Report for each Company in chart [[eLibrary | General search \(ferc.gov\)](#)]

Benefit:	Vendor:	Description:
Medical Plan	BCBSFL	<p>Tampa Electric offers two consumer-driven health plans to eligible active team members and their dependents. Consumerism encourages members to be aware of the cost of services as both plans exclude co-payments. Members are responsible for the plan deductible and co-insurance for most services until the plan out-of-pocket maximum is met. Members have the option to use in or out-of-network providers, however, the plan is designed to cover less if a member goes out-of-network. Both medical plans cover preventive services at 100% (in-network) to encourage wellness and a proactive approach to staying healthy. Telemedicine is a convenient service included in both plan options which allows members to call or video conference with a doctor as a lower cost alternative to an office visit. The plans include coverage for behavioral and mental health as well as dedicated clinical support for high-risk medical conditions.</p> <p>Pre-65 retirees: TECO Energy Group Post-retirement Health and Welfare Plan (a retiree medical plan)</p>
Employee Assistance Program	Telus Health	<p>The EAP is a confidential assessment, counselling, and referral program offered to all Tampa Electric team members and their eligible dependents free of charge. It is designed to address a broad range of difficult issues that typically affect a person's ability to do their job if he or she does not get help. The program is available 24 hours a day, 7 days a week.</p>
Pharmacy Plan	Express Scripts	<p>Tampa Electric team members and their eligible dependents are automatically enrolled in the pharmacy plan when they choose to enroll in one of the company-sponsored medical plan options. The pharmacy plan allows members the choice to purchase medications at retail pharmacies or use the Express Scripts home delivery (mail order) service. The plan has programs built in, such as the generics preferred program and the preferred drug step therapy program which guides members to use lower-cost medications. In addition, the plan requires prior authorizations to ensure certain medications are prescribed accordingly.</p>


Dental Plan	Aetna, Inc.	<p>Tampa Electric team members can choose between two dental plan options with the Company paying most of the cost. The Preferred Provider (PPO) dental plan option allows members the flexibility to go in or out of network with the plan covering more for in-network care. The Exclusive Provide Plan (EPP) is an in-network benefit only.</p> <p>Members must use in-network dental providers, or the plan will not pay. Both plans cover preventive services to encourage wellness and a proactive approach to staying healthy.</p>
Flexible Benefits Plan	Chard Snyder	<p>Tampa Electric team members are offered three types of Flexible Spending Accounts (FSA); Healthcare FSA, Dependent Care FSA and Transportation and Parking FSA. These FSAs allow team members to pay for IRS approved healthcare, work-related dependent care, and transportation and parking expenses with tax-free dollars.</p>
Life Insurance Plan	Lincoln Financial	<p>Tampa Electric provides a basic life insurance policy and a basic AD&D policy automatically paid in full by the Company for all active full-time and part-time active team members. In addition, Tampa Electric team members can purchase supplemental life insurance and accidental death and dismemberment coverage at a group rate cost. Spouse and dependent child life insurance coverage is also available.</p>
Long Term Care Insurance Program	UNUM	<p>Tampa Electric provides a basic long-term care (LTC) policy to all eligible team members at no cost. In addition, Tampa Electric team members can purchase supplemental LTC directly through UNUM at group rate cost.</p>
Vision Coverage	VSP Vision	<p>Tampa Electric team members can purchase a vision plan at a group rate cost.</p>
Group Retirement Plan	Conduent (Pension Services)	<p>The retirement plan is designed to provide a lifetime retirement income at no cost for eligible Tampa Electric team members.</p> <p>TECO Energy Retirement Plan (defined benefit pension plan)</p>
Group Retirement Savings Plan	Empower	<p>Tampa Electric provides team members with a fixed and performance match program towards a 401K retirement plan.</p> <p>TECO Energy Group Retirement Plan (a qualified defined contribution 401k plan)</p>
Short Term Disability	Lincoln Financial	<p>Provided at no cost to eligible team members. Planned program to protect income and benefits in the event of illness or</p>

		disability. Based on certain criteria, 75-100% income replacement for a specified period of time.
Long Term Disability	Lincoln Financial	Provided at no cost to eligible team members. Planned program to protect income and benefits in the event of illness or disability for more than 6 months based on certain criteria. 60% income replacement.
Paid Parental Leave	Lincoln Financial	Six weeks of paid parental leave provided at no cost to eligible team members to spend time with a child newly added to their family through birth or adoption.

Executive Summary

Your benefits are:

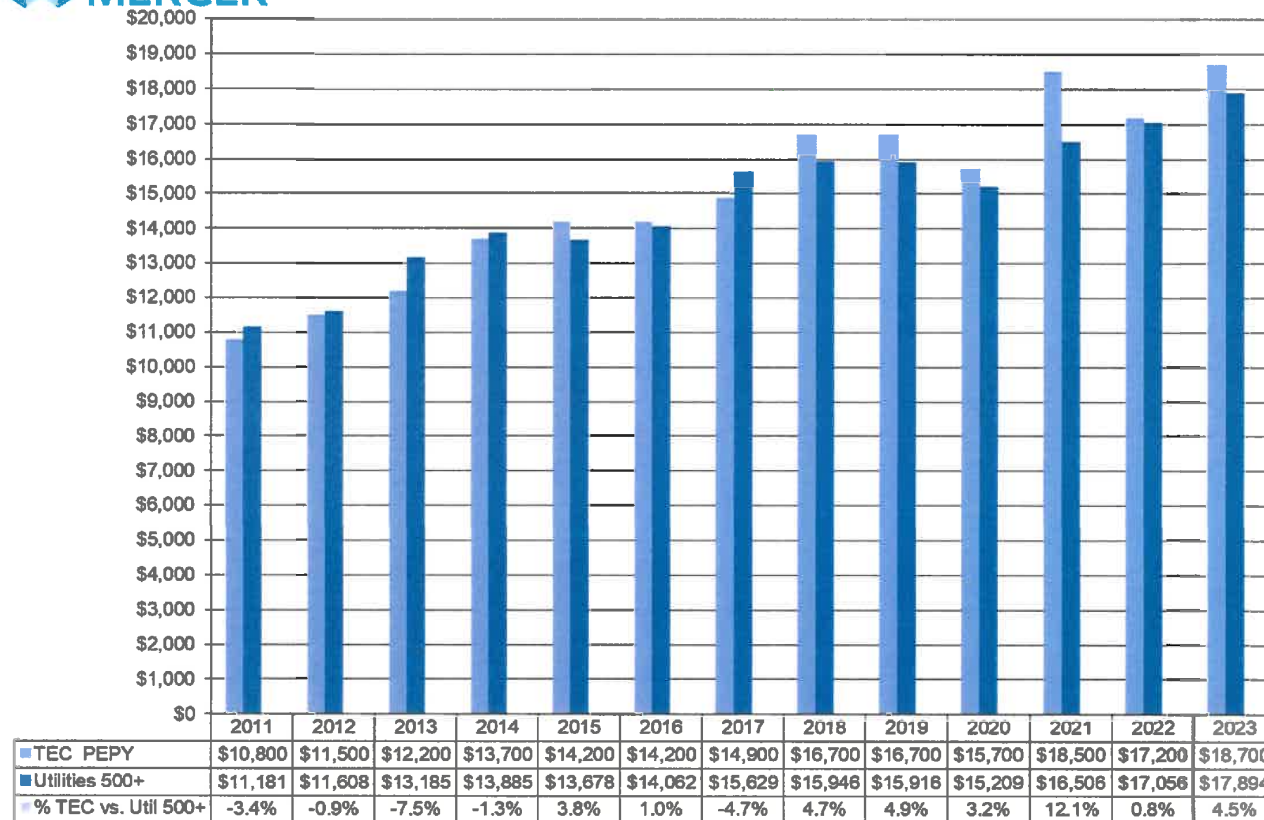
-  Above market
-  Aligned with market
-  Varied from market

Benefit	Peer Position	Market Position	Commentary
Retirement	Rank = 13 th Index = 102 	Rank = 75 th Index = 181 	<ul style="list-style-type: none"> TECO provides a total employer contribution of about 11% (Defined Contribution, Defined Benefit and Stock Purchase Plan combined) compared to the peer group median of about 7% TECO is above the median plan thus no plan changes are recommended.
Medical	Rank = 14 th Index = 100 	Rank = 185 th Index = 106 	<ul style="list-style-type: none"> TECO's alignment with the peer group median position is a result of plan provisions and cost share that are competitive compared to the median plan. TECO's slightly above-median position among the general market is a result by plan provisions that are richer compared to the median plan, offset by a cost-share that is slight less favorable. TECO is aligned or slightly above the median plan thus no plan changes are recommended.
Dental	Rank = 7 th Index = 116 	Rank = 72 nd Index = 137 	<ul style="list-style-type: none"> TECO's above-median plan among both the custom peer group and the general market is a result of provisions are richer compared to the median plan combined with the cost-share being more favorable. TECO is above the median plan thus no plan changes are recommended.
Paid Leave	Rank = 18 th Index = 96 	Rank = 309 th Index = 97 	<ul style="list-style-type: none"> Although total number of paid leave days is competitive among the peer group median, the paid Holidays are either one or two days below both peer groups. Although, TECO is aligned with the median plan and no plan changes are recommended, one area TECO could become more competitive is by adding two Holidays to be more aligned with the peer group median.
Life Insurance	Rank = 14 th Index = 79 	Rank = 260 th Index = 100 	<ul style="list-style-type: none"> TECO provides coverage of 1.5 times base pay, which is below the median plan that provides a 2 times pay benefit among the custom peer group; however, the benefit is competitive with the general market. To be aligned with the peer group median TECO should consider increasing to a 2x pay benefit.
Short-Term Disability	Rank = 3 rd Index = 113 	Rank = 63 rd Index = 121 	<ul style="list-style-type: none"> TECO 's above-median result is due to providing a 100% pay replacement for the first 13 weeks after two years of service, and 75% pay replacement thereafter. TECO is above the median plan thus no plan changes are recommended.
Long-Term Disability	Rank = 2 nd Index = 141 	Rank = 34 th Index = 141 	<ul style="list-style-type: none"> TECO's above-median position is a result of providing a salary definition that includes pay plus bonus, versus the median design which only includes base pay within the salary definition. TECO is above the median plan thus no plan changes are recommended.

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Average Annual Health Benefit Cost Per Employee 2011 - 2023
All Surveyed Utilities Employers with 500+ Employees



- Average annual health benefit cost illustrated from the Mercer National Survey includes total claims and administrative cost for all medical, dental, prescription drug, mental health, vision and hearing benefits for active employees and their covered dependents, divided by the number of covered active employees.