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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 Richard Latta and Exhibit No. RL-1.

Thank you for your assistance in connection with this matter.

(Document 18 of 32)

Sincerely,

J. Jeffry Wahlen

cc: All parties

JJW/ne
Attachment

TECO
TAMPA ELECTRIC
AN EMERA COMPANY

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
RICHARD LATTA

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PREPARED DIRECT TESTIMONY AND EXHIBIT

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RICHARD LATTA

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

RICHARD LATTA

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

A. My name is Richard Latta. My business address is 702 N. Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or the "company") in the Finance Department as Utility Controller.

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

A. My duties and responsibilities include maintaining the financial books and records of the company and the determination and implementation of accounting policies and practices for Tampa Electric. I am also responsible for budgeting activities within the company, which includes business planning. I am also responsible for regulatory accounting, plant accounting, payroll and financial reporting.

Q. Have you previously filed testimony before the Florida

Public Service Commission ("FPSC" or the "Commission")?

A. Yes. In Docket Nos. 20220010-EI and 20220048-EI, I filed testimony adopting the direct testimony of Tampa Electric Witness A. Sloan Lewis, and then filed rebuttal testimony in Docket No. 20220048-EI. I submitted direct testimony in Docket No. 20230019-EI, Tampa Electric's Petition for Recovery of Costs Associated with Named Tropical Systems during the 2018-2022 Hurricane Season and replenishment of Storm Reserve. I also testified before the Commission in Docket No. 20220122-EI, Tampa Electric's Petition to Implement Return on Equity Provisions in the 2021 Stipulation and Settlement Agreement ("2021 Agreement") approved by the Commission in Order No. PSC-2021-0423-S-EI, on November 10, 2021.

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

A. I graduated from the University of South Florida in 2005 with a Bachelor of Science degree in Accounting and a Master of Accountancy in 2007. I am a Certified Public Accountant in the State of Florida.

I joined Tampa Electric in 2001 as a Customer Service

Representative. Upon completion of my Accounting degree, I joined the company's Accounting Department in 2005 as a Financial Reporting Accountant working on the Conservation and Environmental cost recovery clauses. I held positions with increasing responsibility within the Accounting Department until I moved to TECO Services, Inc. in 2014 as a Corporate Accounting Manager. I returned to Tampa Electric's Accounting Department in 2017 as the Director of Financial Reporting. I have served as Controller of Tampa Electric since July 2021.

Q. What are the purposes of your direct testimony?

A. The purposes of my direct testimony are to describe the company's 2025 test year; explain our 2025 budget and the process we used to develop it; present our proposed 2025 rate base, net operating income, and revenue requirement increase; explain how the company accounts for affiliated transactions; and present the revenue requirement calculations for the company's proposed 2026 and 2027 Subsequent Year Adjustments ("SYA").

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

A. Yes, Exhibit RL-1, entitled the "Exhibit of Richard Latta", 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 five documents, as follows:

Document No. 1	List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Richard Latta
Document No. 2	2019-2025 Budgeted Versus Actual Jurisdictional Adjusted Rate Base
Document No. 3	2022-2025 Total Company Capital Investments
Document No. 4	2022-2025 Total O&M Expense
Document No. 5	2026 and 2027 Subsequent Year Adjustment (SYA) Details

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.

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

A. My direct testimony explains the budget process and why using a projected 2025 test year is appropriate in this case.

Tampa Electric witness Lori Cifuentes presents the customer, energy sales, and peak demand forecasts that form the basis for the budget underlying the financial information for our 2025 test year.

My direct testimony also presents the company's overall 2025 revenue requirement calculation. Other witnesses discuss specific parts of our revenue requirement. For example, Tampa Electric witness Ned Allis discusses our depreciation study and supports our requested level of depreciation expense and capital recovery amortization in the test year. Tampa Electric witness Dylan D'Ascendis presents the company's proposed return on equity. Other witnesses address specific components of our rate base, show that our proposed plant additions are reasonable and prudent, and demonstrate that our operations and maintenance ("O&M") expenses are reasonable. Tampa Electric witness Valerie Strickland presents the company's income tax expense calculation and proposed parent debt adjustment.

Tampa Electric witness Jeff Chronister discusses how our financial profile has changed since our last rate case; all elements of our capital structure, and our proposed overall rate of return; presents information about our financial forecasts for 2026 and 2027; and proposes that the Commission approve subsequent year adjustments in those years.

(1) 2025 TEST YEAR

Q. What test year has the company used to prepare its MFR and 2025 rate increase request?

A. The company's test year for its proposed 2025 increase is the calendar year ending December 31, 2025.

Q. Should the Commission approve the company's proposed 2025 test year for ratemaking purposes in this case?

A. Yes. The company's proposed test period of the twelve months ending December 31, 2025 is appropriate because (1) 2025 is the first year the company’s proposed rates are proposed to be in effect and (2) the company’s financial budget for that period is representative of Tampa Electric’s projected revenues and projected costs of service, capital structure, and rate base needed to provide safe, reliable, and cost-effective electric service to its customers in 2025. The company’s budgeting process is reliable and the resulting 2025 budgets are more representative of the company’s operations when its proposed rates will be in effect than a historical test year.

Q. What does the company project its 2025 earned return on equity to be without the 2025 rate increase requested in this case?

A. Without our 2025 requested rate increase, the company’s projected earned return on equity (“ROE”) for 2025 is expected to be 6.70 percent, which is far below the fair and reasonable range of equity returns supported in the direct testimony of Mr. D’Ascendis.

The company has invested in infrastructure that provides value to customers and fulfills our obligation to provide reliable and resilient utility service; however, revenue growth has not kept pace with the growth of our rate base assets, causing our projected ROE in 2025 to fall below the level needed to maintain Tampa Electric's financial integrity. The company's need to maintain financial integrity is discussed further in the direct testimony of Mr. Chronister.

Q. When does the company propose that its new 2025 base rates and charges become effective?

A. Tampa Electric proposes that its new 2025 base rates and charges become effective for the first billing cycle in January 2025. We also propose that the Commission approve two SYA to recover the costs associated with certain projects to be effective with the first billing cycles in 2026 and 2027. I discuss these SYA in the last section of my testimony.

(2) 2025 BUDGET AND BUDGET PROCESS

Q. Please describe the process Tampa Electric used to prepare its 2025 test year budget.

A. We prepared the 2025 budget using an integrated process that combined the goals and objectives of the company with expected economic and financial conditions. We developed plans for projects and activities based on the company's obligation to serve, and expectations of the requirements and challenges associated with that obligation.

We developed these plans for projects and activities within each department and then consolidated them into overall company projections. Each department quantified its projects and activities into specific required work in its respective budgets. This process is described in more detail in MFR Schedules F-5 (Forecasting Models) and F-8 (Assumptions). The models we used and the assumptions we made as part of the budgeting process are reasonable for managing our operations and for ratemaking purposes in this case.

Tampa Electric’s budget process incorporates the American Institute of Certified Public Accountants guidelines for preparing prospective financial information. The company’s budgeting process conforms with all of the guidelines, including those related to quality, consistency, documentation, the use of appropriate accounting principles and assumptions, the adequacy of review and approval, and the regular comparison of financial forecasts with attained results.

Q. Was the budgeting process for 2025 different than the budgeting process used in Tampa Electric's last rate case?

A. No. Although the technology the company uses to prepare budgets has evolved over time, we have not changed the basic process we used to build our budgets. We based our 2025 budget on expected operating conditions. We relied on the experience and expertise of the company's operating teams. Our front-line operating personnel and members of management collaborated to forecast projects and activities, and their corresponding costs. Our 2025 budget is consistent with and reflects our long-term planning, prioritizes our resource needs, and reflects operating efficiencies where available. Our operating personnel also forecasted the level of 2025 other operating revenues that reduces the overall 2025 revenue requirement.

Q. Did the company prepare its budget for the 2025 test year using the company's normal annual budget process described above?

A. Yes. The process described above reflects our normal budgeting process except for the time schedule for preparing it, which was accelerated as a practical necessity of filing a rate case with a projected test year.

Q. What primary economic and financial conditions did the company consider when developing its 2025 budget?

A. We considered the following: (1) the impact of load growth, which includes changes in the number of customers and usage per customer and (2) the impact of inflation, contract escalations, and other cost changes. Our 2025 budget was based on the company's Customer, Demand, and Energy forecasts, which are explained in the direct testimony of Ms. Cifuentes. The company used a variety of indices and factors to estimate the effects of inflation and cost changes in the 2025 budget.

Q. What basic documents does the company's budget process produce?

A. Our integrated budget process generated a complete set of budgeted financial statements for 2025: income statement, balance sheet, and statement of cash flows. We constructed the income statement using various sources to forecast revenues and expenses. We created the balance sheet by starting with beginning balances and either forecasting monthly balances for the remainder of the year or forecasting monthly activity in the account for the remainder of the year, depending on the type of account.

Then we prepared a statement of cash flows to determine the capital structure needs of the company and the required debt and equity needed during the budget year.

Q. Please describe the most material components in the company's 2025 budgeted financial statements.

A. Our budgeted 2025 balance sheet is the foundation for our calculation of budgeted 2025 rate base and capital structure. The largest component of our 2025 budgeted rate base is net utility plant-in-service. Plant-in-service balances reflect the capital expenditures for property, plant, and equipment already invested as well as the capital investments contained in the near-term capital budget, all of which will be utilized to serve our customers in 2025. Capital structure supports our rate base investments using debt, equity and other sources.

Our budgeted 2025 income statement is the foundation for our calculation of budgeted 2025 net operating income. It begins with our revenue budget and reflects the major expense elements that are recoverable through base rates.

With the exception of O&M for fuel and purchase power expenses, which are predominantly recovered through the fuel and purchased power and capacity cost recovery clauses, which are not a subject in this proceeding, the largest cost component of the 2025 budgeted net operating income is depreciation expense, which is calculated based on projected plant balances and applicable depreciation rates. Other O&M expense, taxes other than income and income tax expenses are also major portions of our net operating income. Our budgeted 2025 income statement reflects our generation planned outage schedule, our clause budgets and our revenue budget for the test year.

Q. How did the company develop its 2025 revenue budget?

A. The company prepared the revenue budget by applying its current tariff rates to electricity sales reflected in the Customer, Demand, and Energy forecasts by customer rate class. The company prepared detailed revenue projections by month using present rates and included the monthly data in the income statement.

Q. Please discuss the Customer, Demand, and Energy forecasts used to develop the company's revenue budget.

A. The Load Research and Forecasting section of the company's Regulatory Affairs department produced the 2025 Customer, Demand, and Energy forecasts, which reflects customer growth projections as well as load and consumption projections. Ms. Cifuentes is responsible for this function and discusses key assumptions used to develop the forecasts in more detail in her direct testimony. Tampa Electric witness Jordan Williams applies the present rates to the results of the Customer, Demand, and Energy forecast to develop the revenues from the sales of electricity.

Q. Is the company's 2025 budgeted revenue from the sales of electricity by rate class at present rates appropriate?

A. Yes. The Commission should approve $1,480,725,000 as the company's 2025 revenues from the sale of electricity. This amount is shown on MFR Schedule C-1.

Q. How did the company forecast the other operating revenues for 2025?

A. We use different approaches to forecast different components of Other Operating Revenue. We budget miscellaneous service revenues using a customer growth rate, because these revenues vary with customer growth and activity. We forecast other rent revenues using the terms of contracts, such as pole attachment agreements. We budget other items, such as revenues from barge cleaning or use of our loading facilities on an item-specific basis.

Q. Please describe the company's O&M and capital budgeting process.

A. Based on forecasted demand and energy, Tampa Electric determined the required capital investment necessary to serve the load reliably as well as the O&M needed to provide the quality of service customers expect. The company considered factors such as environmental and regulatory compliance, reserve requirements, and other items such as load location, changes in equipment and technology, and changes in required skill sets. These other items are discussed by Tampa Electric witnesses Carlos Aldazabal, Kris Stryker, Chip Whitworth, Karen Sparkman, David Lukcic, Chris Heck, and Marian Cacciatore in greater detail. After determining the projects and activities needed to improve the efficiency, sufficiency, and adequacy of the company's facilities, and to provide, safe, reliable, and resilient service to our customers, we estimated associated costs based on the resources to be used and the price of those resources.

The company used different tools to determine the costs of the resources needed based on the type of resource. For example, as described in the direct testimony of Ms. Cacciatore, the compensation amounts reflected in our 2025 budget were set based on expected job market conditions and market assessment and comparison tools.

Q. How did the company develop its detailed O&M and capital budgets?

A. Each operating department within the company developed detailed budgets for O&M and capital by month. Operating departments distinguished between O&M and capital based on the nature of the activity involved and our accounting policies and practices. Each operating department weighed options regarding how to perform O&M and capital work in the most cost-effective manner, and then submitted a detailed operating budget to the Finance department.

The Finance department combined all of these budgets and data to produce a total projected amount of O&M and capital expenditures for the company. The activities and projects that are necessary to provide safe and reliable service to customers were planned by the departments that perform them, and the costs were developed using consistent assumptions. The officers of the company examined the budgets for reasonableness and consistency with our overall corporate objectives and initiatives. Finally, the budget was approved by the Board of Directors.

Q. What non-labor trend factors should be used for inflation for the 2025 projected test years?

A. Non-labor O&M was held constant at 2023 levels except for some specific needs such as timing of planned outages, expanded solar operations, digitalization of the customer experience, cyber security costs and some contractor costs in the distribution function to support customer growth.

Q. Has Tampa Electric's budgeting process proven reliable in the past?

A. Yes. MFR Schedule C-6 and Document No. 2 of my exhibit show that our actual results have closely tracked budgeted Net Operating Income and Rate Base amounts. Our capital expenditures for the last four years have come in 1.6 percent higher, 0.1 percent higher, 13.7 percent higher and 1.6 percent higher than budgeted amounts.

Tampa Electric devotes significant effort to ensure our budgeting process is reliable because the company uses its budgeted information for investor presentations, business planning, and key decision-making. We also prepare and analyze budget variance reports and use these monthly analyses as part of the internal control system to manage our business and comply with the Sarbanes-Oxley Act of 2002.

Q. Did the budgeting process that Tampa Electric used generate a fair and reasonable projection of the company's projected 2025 financial condition for use in this proceeding?

A. Yes. Tampa Electric used its reasonable, reliable, and time-proven budgeting process to produce its 2025 company budget.

(3) 2025 RATE BASE

Q. Is the 2025 rate base that supports the revenue requirement calculation reasonable and prudent and reflect the assets expected to be used and useful and in service in 2025?

A. Yes. The company's projected 13-month average rate base amount for the 2025 test year is $9.8 billion as shown on MFR Schedule B-1. This projected rate base reflects appropriate amounts of net plant-in-service and working capital budgeted in the company's budgeted balance sheet.

Tampa Electric projects the amount of rate base in the 2025 test year that is needed for reasonable, prudent investments and spending on assets that are used and useful in providing reliable electric service to our customers. Tampa Electric witnesses Whitworth, Stryker, Aldazabal, Lukcic, Heck, Sparkman, Aponte, and Chronister address specific portions of our rate base growth in their direct testimony and explain why our rate base amounts for the 2025 test year are reasonable. Our Jurisdictional Adjusted Rate Base reflects reasonable amounts for adjustments previously approved by the Commission, and should be approved.

Q. How much capital did the company invest during the three-year term of the 2021 Agreement from 2022 through 2024?

A. From 2022 to 2024, the company expects to invest approximately $3.7 billion in capital projects to serve new customers; improve reliability, resilience, and efficiency; and ensure that our existing plant investments remain in sound working condition.

Approximately $2.2 billion of these investments are base rate projects that earn Allowance for Funds Used During Construction ("AFUDC"), projects for which cost recovery occurs through a cost recovery clause ("Clause projects"), and non-utility projects which are not included for recovery in this proceeding.

The remaining approximately $1.5 billion of capital expenditures for 2022 to 2024 are explained in the direct testimony of Mr. Aldazabal, Mr. Stryker, Mr. Whitworth, Mr. Lukcic, Ms. Sparkman, and Mr. Heck for their areas of responsibility.

My testimony addresses the portion of 2022 to 2024 capital expenditures that are considered "corporate."

Document No. 3 of my exhibit reflects (1) total company capital spending, (2) AFUDC and Clause capital spending, and (3) the net "base rate" capital spending by witness for 2022 to 2024 in total and by year.

Q. How much capital in other corporate investments will the company invest from 2022 through 2024?

A. The company expects to invest approximately $37.2 million in general corporate projects during that period. About half of that amount is attributable to capital projects needed to maintain buildings, such as roofing, flooring and air condition replacements. We expect to spend about a quarter of that amount on safety items such as an access control system replacement and physical safety enhancements at critical locations like our power plants. Roughly a quarter is for upgrades and enhancements to our financial and resource systems, which support our human resource, supply chain and finance functions. The upgrades are needed to keep the systems current and operational and will also improve the functionality and efficiency of the systems.

Q. How much total capital does the company expect to invest in 2025?

A. The company expects to make capital investments of $1.6 billion in 2025. $1.0 billion of these investments are AFUDC, Clause, and Non-Utility projects that are not included for 2025 base rate recovery in this proceeding. Document No. 3 of my exhibit reflects the (1) total company capital spending, (2) AFUDC and Clause capital spending, and (3) the net "base rate" capital spending by witness for 2025.

Q. What major Other Corporate projects are planned for 2025?

A. In 2025, we plan to spend approximately $17.5 million on Other Corporate projects. Approximately half of this amount will be facility-related investments like a building controls system upgrade and an underground tank replacement at the Ybor Data Center to fuel the emergency generator.

We will continue to invest in safety with projects like gate installations/replacements, thermal system implementation, and NERC substation security to protect critical assets. We will also be upgrading our PowerPlan system, which is part of our financial and resource systems, is used to account for approximately $15.0 billion of plant in service, and provides critical support for tax and regulatory compliance.

Q. Did the company make any accounting policy changes since the company's last rate proceeding that will affect rate base amounts?

A. No. Although there have been no major changes to generally accepted accounting principles ("GAAP") and no material accounting policy changes that affected Tampa Electric since 2021, it should be noted that we updated our regulatory accounting to reflect the addition of the Clean

Energy Transition Mechanism ("CETM"). Mr. Chronister discusses how the CETM has impacted the company's financial profile and financial statement presentations in his testimony.

PLANT IN SERVICE

Q. What level of plant in service should be approved for the 2025 test year?

A. The Commission should approve Jurisdictional Adjusted Plant in Service totaling $13.4 billion, shown on MFR Schedule B-1. This balance includes the capital additions since our last rate proceeding discussed in the testimony of other witnesses and the budgeted amount of electric plant-in-service that will be used and useful to provide service to our customers in 2025.

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION

Q. What level of accumulated depreciation and amortization should be approved for the 2025 test year?

A. The Commission should approve Jurisdictional Adjusted Accumulated Depreciation and Amortization totaling $4.0 billion as shown on MFR Schedule B-1. These balances include the impacts of the company's actual and projected plant balances and the company's proposed depreciation rates discussed in the testimony of Mr. Allis.

<u>CONSTRUCTION WORK IN PROGRESS</u>

Q. What level of construction work in progress ("CWIP") should be approved for the 2025 test year?

A. The Commission should approve Jurisdictional Adjusted CWIP totaling $230.2 million as shown on MFR Schedule B-1. This amount reflects the results of the company's budgeting process described above and is a reasonable and prudent amount of CWIP for the test year.

<u>WORKING CAPITAL ALLOWANCE</u>

Q. What level of working capital should be approved for the 2025 test year?

A. The Commission should approve the Jurisdictional Adjusted Working Capital Allowance totaling $86.7 million as shown on MFR Schedule B-1. This amount was calculated using the results of the company's budgeting process and the Commission-approved balance sheet method for working capital. The amount reflects a reasonable amount of working capital to support the company's operations in 2025.

ADJUSTMENTS

Q. Please describe the FPSC adjustments to rate base shown in MFR Schedules B-1, B-2, B-6, and B-17.

A. The FPSC adjustments to rate base, as shown in MFR Schedules B-1, B-2, B-6, and B-17, reflect Commission directives, policies, and decisions from previous rate proceedings. These adjustments include: (1) removing the effect of items recoverable through the cost recovery clauses from net plant-in-service, (2) removing balances that earn AFUDC from CWIP, (3) removing the effect of items for which a return is provided elsewhere from working capital, such as regulatory assets for clause-related under-recovery balances, (4) removing from net plant-in-service and working capital the right-of-use assets and liabilities for lease obligations, and (5) removing the effect of items that have been deemed non-utility or non-recoverable through retail base rates from rate base.

Q. Did the company include AFUDC-eligible CWIP in rate base for the 2025 test year?

A. No.

Q. Did the company adjust coal fuel inventory per books to reflect the 13-month average of 60-day maximum coal burn standard approved in the company's last rate case?

A. No, because the projected coal inventory is below that maximum.

Q. Did the company adjust oil fuel inventory per books to reflect the maximum oil inventory approved in the company's last rate case?

A. Yes. The company made a $188,876 adjustment for this as shown on MFR Schedule B-2.

Q. What level of fuel inventory should be approved for the 2025 test year?

A. The Commission should approve Fuel Inventory totaling $36.6 million as shown on MFR Schedule B-17. The amount was calculated using a reasonable and prudent projection process that forecasts load, generation and corresponding fuel consumption, and associated fuel purchases. The amount of coal fuel inventory is below the 60-day maximum burn threshold approved by the Commission. The amount of oil fuel inventory is at the approved level. This fuel inventory level is reasonable because it is within the approved thresholds and reflects the fuel inventory necessary to support the company's operations in 2025.

Q. Has Tampa Electric made the proper adjustments to the working capital allowance to reflect the under recoveries and over recoveries related to cost recovery clauses in the 2025 test year?

A. Yes.

Q. What level of unamortized rate case expense should be included in working capital for the 2025 test year?

A. Zero. The company removed unamortized rate case expense in the amount of $1.8 million from working capital as shown on MFR Schedule B-2.

Q. Has the company made the proper adjustments to remove all non-utility activities from its 2025 test year Plant-in-Service, Accumulated Depreciation, and Working Capital balances?

A. Yes.

Q. Should any new adjustments be made to the amounts included in the 2025 test year for acquisition adjustments and accumulated amortization of acquisition adjustments?

A. No.

<u>TOTAL 2025 RATE BASE</u>

Q. Based on the foregoing answers, and after applying the adjustments described above, what level of projected 13-month average rate base should the Commission approve for the 2025 test year?

A. The Commission should approve the projected 13-month average rate base for 2025 of $9.8 billion as shown on MFR Schedule B-1.

(4) 2025 NET OPERATING INCOME

Q. Is the 2025 net operating income that supports the revenue requirement calculation reasonable?

A. Yes. The company's proposed 2025 Net Operating Income is $501.4 million as shown on MFR Schedule C-1. This projected net operating income reflects reasonable and appropriate amounts of revenue and expense forecasted for 2025 in the company's budgeted income statement and reflects the transactions and activities the company will undertake in 2025 to provide reliable electric service to our customers.

Tampa Electric witnesses Aldazabal, Stryker, Whitworth, Lukcic, Sparkman, Heck, Cacciatore, Allis, Strickland, and Chronister address specific portions of our net operating income in their direct testimony and explain why our net operating income amounts for the 2025 test year are reasonable. The Jurisdictional Adjusted net operating income shown on MFR Schedule C-1 reflects reasonable amounts for adjustments previously approved by the Commission.

Q. Does the company have any non-utility operations that use all or part of any utility plant, that are not included in MFR Schedule C-32?

A. No.

TOTAL OPERATING REVENUES

Q. What annual operating revenue increase should be approved based on the 2025 projected test year?

A. The Commission should approve annual Total Operating

Revenues increase in the amount of $296.6 million as shown on MFR Schedule A-1.

OPERATIONS & MAINTENANCE (O&M)

Q. How are the relevant proposed 2025 O&M amounts discussed below reflected in the company's MFR Schedules and your exhibit?

A. MFR Schedule C-1 (column 8) reflect Jurisdictional Adjusted Other O&M Expense of $391.8 million and Jurisdictional Adjusted Fuel Expense of $0.6 million, and total $392.4 million. Prior to Jurisdictional Separation, this amount is $394.1 million and is shown in the O&M Benchmark Comparison By Function on MFR Schedule C-37. Document No. 4 of my exhibit shows the portions of the total $394.1 million attributable to the other witnesses in this case.

OTHER O&M EXPENSE

Q. What level of Other O&M expense should be approved for the 2025 test year?

A. The Commission should approve Jurisdictional Adjusted Other O&M Expense of $391.8 million as shown on MFR Schedule C-1. This amount is reasonable as discussed further in my testimony and in the testimonies of Tampa Electric witnesses Aldazabal, Stryker, Whitworth, Lukcic, Sparkman, Heck, Cacciatore, Allis, Strickland, and Chronister.

Q. Please discuss O&M spending through recent years.

A. Document No. 4 of my exhibit shows the breakdown of test year O&M expenses by witness over time. Although we are spending more each year to operate and maintain our growing system, our cumulative annual O&M expense growth rate over the past 10 years is only one half of one percent, which is well below customer growth and inflation. The company's 2025 O&M expense by operational area are explained in the direct testimony of Mr. Aldazabal, Mr. Whitworth, Ms. Sparkman, Ms. Cacciatore and Mr. Heck for their areas of responsibility. I will cover the remainder ("Corporate Administrative & General"). Mr. Chronister also discusses O&M over time in his testimony.

Q. How do these spending levels compare with what would be expected using escalation factors as calculated in the Commission's benchmark?

A. The $394.1 million amount for 2025 is well below the Commission's expected benchmark calculation of $466.0 million, which is shown on MFR Schedule C-37.

Q. What is the total amount of FPSC Adjusted O&M expense for administrative and general expenses in 2025?

A. MFR Schedule C-37 shows the total budgeted amount in 2025 is approximately $158.0 million. This amount reflects the administrative and general costs necessary to support the operations of the company in the test year, is reasonable, and should be approved.

Q. How do these administrative and general spending levels compare with what would be expected using escalation factors as calculated in the Commission's benchmark?

A. The $158.0 million is $56.0 million below the Commission's expected benchmark calculation of $214.0 million as shown on MFR Schedule C-37.

Q. What was the employee count for corporate administrative and general departments in 2022, 2023, and 2024?

A. The average employee count for corporate administrative and general departments is 257, 265, and 265, respectively.

Q. What is the projected employee count for corporate administrative and general departments for 2025?

A. The average projected employee count for corporate administrative and general departments in 2025 is 265, which is the same level as 2023 and 2024.

Q. Please discuss what is included in corporate administrative and general O&M expenses and the level of spending through recent years.

A. Corporate administrative and general ("A&G") costs include costs for areas such as Finance, Procurement, Human Resources, Legal and Regulatory, as well as expenses for property and liability insurance, injuries and damages, and other corporate credits. Corporate credits include amounts for charges to capital and affiliates for benefits/fringe and A&G expense capitalization. Document No. 4 of my exhibit shows our Corporate Administrative and General expenses from 2022 through 2025. The company has demonstrated cost control in many of the areas listed above; however, premium increases caused by market forces in the property and casualty insurance markets have put upward pressure on our A&G expense levels.

Q. Please describe the challenges the company has experienced in property and liability insurance markets.

A. The company's insurance costs have gone up significantly in the past few years due to premium rate increases and having a larger base of assets to insure. Insurance premiums are a function of the losses incurred by carriers and the market returns carriers can earn on the premium dollars available for them to invest. Although public policy makers in Florida have recently enacted changes to moderate insurance premium increases, Tampa Electric, like homeowners and other businesses in Florida, has experienced and continues to experience increasing property insurance costs. While the company continuously monitors and manages its risk profile for assets to temper insurance cost increases, the premiums for reasonable and prudent insurance coverage have increased dramatically.

The company's actual and projected O&M expense for insurance over time is summarized below:

2017	$ 11.0 million
2018	$ 12.0 million
2019	$ 15.2 million
2020	$ 21.4 million
2021	$ 26.1 million
2022	$ 28.5 million
2023	$ 30.8 million
2024	$ 35.2 million
2025	$ 39.6 million

Q. Did the company include lobbying expenses, other political expenses, or civic/charitable contributions when it calculated net operating income for the 2025 test year?

A. No. The company excluded the budgeted amounts for these activities when it calculated 2025 net operating income.

Q. Has the company made the proper adjustments to remove the impact of cost recovery clauses from net operating income in the 2025 projected test year?

A. Yes.

Q. Has Tampa Electric made the proper adjustments to remove all non-utility activities from projected test year operating expenses, including depreciation and amortization expense?

A. Yes.

Q. What amount of economic development expenses should be approved for the 2025 projected test year?

A. The Commission should approve $446,502 of economic development expenses for the 2025 projected test year. Section 25-6.0426, Florida Administrative Code, governs how Tampa Electric reports economic development expenses for surveillance reporting purposes. Subsection (3) of that rule limits the amount of economic development expense that can be recognized for earnings surveillance reporting purposes. Subsection (4) of that rule specifies that the Commission will determine the level of sharing or prudent economic development costs and the future treatment of those costs for surveillance reporting purposes. The company removed $23,000 to comply with this rule as shown on MFR Schedule C-2.

Q. What amount of annual storm damage accrual should be approved for the 2025 test year?

A. Zero. The company has not included a storm damage accrual in its calculation of net operating income for the 2025 test year. Rather, as discussed by Mr. Chronister in his testimony, the company proposes to extend the storm cost recovery provision in its 2021 Agreement.

Q. Is the company proposing to change its reserve target for account 228.1 (reserve for storm damages) or to implement an annual storm damage expense accrual in this case?

A. No. The current reserve target is $55,860,642 as approved in Order No. PSC-2021-0423-S-EI on November 10, 2021, in Docket No. 20210034-EI. The company is not proposing to change this amount. The last storm damage study was filed in Docket 20210031-EI and Tampa Electric is not due to file another Storm Damage Study until 2026, so the company has not filed an updated Storm Damage Study in this proceeding. Our projected reserve balance as of 2025 is $17.8 million as reflected on MFR Schedule B-3 and is less than the reserve target due to the level of storm activity in 2023. The company intends to use storm surcharges to replenish the reserve once depleted.

Q. What amount of rate case expense should be approved in this proceeding?

A. The Commission should approve rate case expense of $2.0 million and a three-year amortization period. The company has included approximately $682,537 of rate case expense in its calculation of net operating income for 2025. This amount is reasonable in light of the size of Tampa Electric, the increases requested in this case, the level of discovery activity we expect, and the complexity of the issues in the case.

Q. Does the company's proposed level of O&M expense for the projected 2025 test year include any amounts related to potential merger and acquisition activities by Tampa Electric or any of its affiliates?

A. No.

<u>FUEL EXPENSE</u>

Q. What level of Fuel expense should be approved for the 2025 test year?

A. The Commission should approve Jurisdictional Adjusted Fuel expense of $0.6 million as shown on MFR Schedule C-1. Most fuel expense ($685.5 million) is recovered through the fuel and purchased power and capacity cost recovery clauses and is adjusted on MFR Schedule C-1. The remaining $0.6 million is related to costs to oversee and operate fuel activities, such as supervising and handling of fuel, which are not recoverable through the fuel and purchased power clause.

DEPRECIATION AND AMORTIZATION

Q. What amount of depreciation and amortization expense should be approved for the 2025 test year?

A. The Commission should approve Jurisdictional Adjusted Depreciation and Amortization expense in the amount of $531.4 million as shown on MFR Schedule C-1. This amount was calculated using the company's projected plant balances and the rates proposed in Tampa Electric's 2023 Depreciation Study submitted on December 27, 2023, in Docket No. 20230139-EI.

Mr. Allis describes the company's proposed depreciation rates and study in detail; the Tampa Electric witness Jeff Kopp supports and explains the dismantlement study the company commissioned for inclusion in the 2023 Depreciation Study. Our 2025 budgeted income statement also reflects the levels of capital recovery amortization discussed in Mr. Allis' testimony. Mr. Chronister also discusses depreciation expense in his testimony.

Q. What depreciation period study date should be used to calculate depreciation expense for the 2025 projected test year?

A. The projected ending plant balances as of December 31, 2024, from the depreciation study that was filed on December 27, 2023, should be used.

Q. What should be the implementation date for the revised depreciate rates, capital recovery schedules, and amortization schedules proposed by the company in this case?

A. The Commission should approve an implementation date of January 2025 for the company's proposed, revised depreciation rates, capital recovery schedules, and amortization schedules. This effective date matches our proposed effective date for our proposed new 2025 customer rates.

TAXES OTHER THAN INCOME

Q. What level of Taxes Other Than Income expense should be approved for the 2025 test year?

A. The Commission should approve Jurisdictional Adjusted Taxes Other than Income ("TOTI") expense of $101.6 million as shown on MFR Schedule C-1. This amount is reasonable as it was forecasted using prudent estimates of property values and assessments for ad valorem tax purposes. Mr. Chronister discusses TOTI further in his testimony.

INCOME TAXES

Q. What level of Income Tax expense should be approved for the 2025 test year?

A. The Commission should approve Jurisdictional Adjusted Income Tax expense (benefit) totaling ($8.3 million) as shown on MFR Schedule C-1. Ms. Strickland describes the company's income tax expense and explains why this amount is reasonable in her testimony.

Q. Please explain the income tax true up for interest synchronization.

A. After adjustments described earlier in my testimony were made to rate base, we adjusted 2025 Income Tax expense to reflect the appropriate amount of interest expense based on the amount and cost of debt in the capital structure that was synchronized to the rate base. This adjustment, as shown on MFR Schedule C-3, was done in accordance with the Commission's practice, and should be approved.

Q. Did the company make a parent debt adjustment as contemplated in Rule 25-14.004, Florida Administrative Code?

A. Yes. The company's proposed adjustment is discussed further by Ms. Strickland in her testimony.

<u>GAIN/LOSS ON DISPOSAL OF PLANT</u>

Q. Did the company have gains or losses on the disposition of plant and property previously used to provide electric service?

A. No. The company does not expect to recognize any new gains or losses on the disposition of plant and property previously used to provide electric service in 2024 or 2025. The amortization of prior gains will be completed by August 2024, so the company did not include any amount for amortization of gain or loss on disposal of plant in its calculation of 2025 net operating income.

ADJUSTMENTS

Q. Please describe the FPSC adjustments the company made to net operating income as shown in MFR Schedules C-1, C-2, C-3, C-4, and C-5.

A. The FPSC adjustments to net operating income, as shown in MFR Schedules C-1, C-2, C-3, C-4, and C-5 reflect Commission directives, policies, and decisions from previous rate proceedings. These adjustments include: (1) removing the revenues and expenses which are recoverable through the cost recovery clauses and mechanisms, (2) removing franchise fee revenues and expenses, (3) removing gross receipts tax revenues and expenses, (4) the income tax true-up for interest synchronization, (5) a parent debt adjustment, and (6) removing expenses that have been deemed non-utility or non-recoverable through retail base rates. Examples of these items include stockholder relations expenses and a portion of industry association dues.

Q. Based on the foregoing, and based on these adjustments, what amount of Total Operating Expenses should be approved for the 2025 test year?

A. The Commission should approve Jurisdictional Adjusted

Total Operating Expenses of $1.0 billion as shown on MFR Schedule C-4.

NET OPERATING INCOME

Q. Based on the foregoing, and after applying the adjustments explained above, what amount of Net Operating Income should be approved for the 2025 Test Year?

A. The Commission should approve Jurisdictional Adjusted Net Operating Income of $501.4 million as shown on MFR Schedule C-1.

(5) 2025 REVENUE REQUIREMENT

Q. How did the company calculate the amount of the revenue requirement increase it is requesting for 2025 in this case?

A. We calculated our total revenue requirement as the sum of the required return on our rate base plus the costs of providing electric service, grossed up for taxes. It is shown on MFR Schedule A-1.

We calculated our requested 2025 revenue increase by comparing the projected net operating income for 2025 to the net operating income that resulted from multiplying the 2025 13-month average rate base to the 2025 weighted average cost of capital, as shown on MFR Schedule A-1.

We based our 2025 System Per Books net operating income, 13-month average rate base, and capital structure calculations, as reflected in our MFR Schedules, on Tampa Electric's 2025 budgeted Income Statement, Balance Sheet, and Statement of Cash Flows.

We then made regulatory adjustments to the system per books amounts for net operating income, rate base, and capital structure. These regulatory adjustments can include two types: (1) those that are necessary to comply with Commission directives, policies, and decisions ("FPSC adjustments") and (2) any applicable adjustments that are necessary to produce a test year that is indicative of ongoing revenue and expenditure levels ("company pro forma adjustments"). These adjustments are discussed in detail in the Rate Base and Net Operating income sections above. We then applied the jurisdictional separation factors, supported in the direct testimony of Mr. Williams, to derive the jurisdictional amounts upon which the revenue requirement is calculated.

The basic calculation is shown on MFR Schedule A-1. We first applied the 7.37 percent required overall cost of capital to the jurisdictional adjusted average rate base of $9.8 billion, which resulted in a required jurisdictional net operating income of $722.1 million. Comparing the required jurisdictional net operating income to the jurisdictional net operating income based on the company's 2025 projected test year of $501.4 million without a base rate increase, we calculated the net operating income deficiency for 2025 to be $220.8 million. After grossing this amount up for taxes, we computed our jurisdictional revenue deficiency for 2025 to be $296.6 million.

Q. Please describe the capital structure adjustments made in the revenue requirement calculation.

A. We made capital structure adjustments shown on MFR Schedule D-1a based on Commission precedent. First, we removed the over/under-recovery amounts for our cost recovery clauses from short-term debt and deferred taxes because these are the components of the capital structure that are affected by the difference between the clause expense incurred and the clause revenues collected. We then performed the deferred income tax specific/pro rata adjustment over all sources except for tax credits. The deferred income tax adjustment calculation is illustrated in the direct testimony and exhibit of Ms. Strickland. Finally, we used the traditional pro rata approach for the remaining adjustments, such as removing certain CWIP amounts and rate base items associated with the cost recovery clauses as sponsored by Mr. Chronister.

Q. Did the company make any pro forma adjustments to calculate its 2025 revenue requirement?

A. No.

Q. What revenue expansion factor and net operating income multiplier did the company use to calculate its proposed rate increase?

A. The company's proposed revenue expansion factor is 0.74424, as shown on MFR Schedule C-44, and was calculated using the regulatory assessment fee of 0.085 percent, a bad debt rate of 0.224 percent, and state and federal income tax rates of 5.5 and 21.0 percent, respectively. The tax rates are discussed in the direct testimony of Ms. Strickland.

Q. What amount of projected test year Write-offs should the

Commission approve in the Revenue Expansion Factor?

A. The Commission should approve projected test year Write-offs of $5.8 million in the revenue expansion factor as shown on MFR Schedule C-11. Given expected conditions, this is a reasonable amount for write-offs for the test year.

Q. How did the company account for vehicle depreciation in its 2025 capital and O&M budgets?

A. Vehicle depreciation was included in the fleet allocation and follows the labor activities of all associated team members; therefore, it is included in both capital and O&M based on these activities.

Q. What amount of Administrative and General ("A&G") expense was capitalized in the company's 2025 capital budgets?

A. The company capitalized $35.0 million in A&G Expenses in the 2025 Capital Budget.

Q. How did the company determine the amount of A&G expense to be capitalized in its 2025 O&M and capital budgets?

A. It is the company’s practice to review A&G capitalization each year. Periodically, this accounting estimate is updated when appropriate. The update is made using an A&G Capitalization study that is performed in accordance with the Code of Federal Regulation (“CFR”) and electric plant instruction 4 as practicable.

The company’s review of A&G capitalization includes consideration of (a) the total level of capital expenditures occurring over time, (b) the amount of A&G expense occurring over time, (c) the level of effort devoted to capital activity in the business functions that charge A&G expense, and (d) the types of costs being charged into A&G expense accounts.

In 2022, the company performed an A&G Capitalization study that resulted in the implementation of an annual capitalization amount of $35.0 million. In July 2022, the company began monthly A&G capitalization postings to reflect the new annual amount. The company used this annual amount in the O&M budget for the 2025 test year.

Q. Is the amount of A&G expense capitalized in the 2025 test year reasonable?

A. Yes. The 2025 amount is reasonable in light of the overall level of 2025 capital spending and recent changes to the level of the company's capital spending, as well as the level of A&G expense projected for 2025.

Q. What Allowance for Funds Used During Construction ("AFUDC") rate did the company use for projects in 2023, 2024, and the projected 2025 test year?

A. The AFUDC rate of 6.07 percent was approved by the Commission in Order No. PSC-2022-0394-PAA-EI, Docket No. 20220162-E, effective July 1, 2022. The company used this rate for 2023, 2024, and the projected 2025 test year.

Q. Is the company's 2025 revenue requirement calculation reasonable?

A. Yes. The revenue requirement calculation described above reflects reasonable amounts of rate base and net operating income ("NOI") and a reasonable rate of return, all of which reflect appropriate amounts for adjustments approved by the Commission in prior rate cases. All forecasted amounts included in the revenue requirement calculation are reasonable and prudent amounts associated with providing electric service in 2025.

Q. Should Tampa Electric be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

A. Yes. Tampa Electric does not object to a requirement like this.

(6) AFFILIATE TRANSACTIONS

Q. Please describe the projected affiliate transactions included in the company's 2025 test year.

A. The projected affiliate transactions included in the company's 2025 test year reflect the normal products and services exchanged with companies related to Tampa Electric. These items include products and services provided to affiliated companies, as well as products and services provided from affiliated companies to Tampa Electric. Tampa Electric provides services to affiliates and shares the costs with them, referring to them as "shared services". Shared services are provided to many affiliates, but primarily to Peoples Gas System, Inc. and New Mexico Gas Company. Tampa Electric receives services from other affiliates, primarily Emera, Inc.

Q. Can you provide additional details regarding affiliate transactions?

A. Yes. Related party transactions are reflected on MFR Schedule C-30, Transactions with Affiliated Companies, and MFR Schedule C-31, Affiliated Company Relationships – which reflects the diversification pages that will be contained in the 2023 Form 1 submission to the Commission. In addition to the shared services discussed above, Tampa Electric engages in natural gas purchases and sales with Peoples Gas System and Emera Energy Services U.S., Inc. Tampa Electric Company also has an Asset Management Agreement ("AMA") with Emera Energy Services U.S., Inc. for a portion of its natural gas storage capacity.

Q. Does Tampa Electric adhere to Rule 25-6.1351, Florida Administrative Code ("Affiliated Transactions rule"), when conducting Affiliate Transactions and maintaining a Cost Allocation Manual ("CAM")?

A. Yes, the company believes it complies with the rule and maintains a CAM. The Affiliated Transaction rule imposes two basic requirements. First, the rule states that a utility must charge an affiliate the higher of fully allocated costs or market price for all non-tariffed services and products purchased by the affiliate from the utility. Second, it states that when a utility purchases services and products from an affiliate and applies the costs to regulated operations, the utility shall apportion to regulated operations the lesser of fully allocated costs or market price. However, these two requirements do not apply to allocation of cost for services between a utility and its parent company or between a utility and its regulated utility affiliates. In Tampa Electric's case, the vast majority of the costs allocated to Tampa Electric from affiliates or allocated to affiliates by Tampa Electric are not subject to the two requirements above.

Q. How does Tampa Electric determine the costs that it charges affiliated companies?

A. The costs for Tampa Electric shared services are charged to affiliate companies pursuant to our CAM or intercompany service agreements in one of three ways: (1) direct charges, (2) assessed charges, and (3) allocated charges. Direct charges are made when an affiliate is solely receiving the product or service rendered by Tampa

Electric. When multiple affiliates receive the same services, the company charges costs either through assessments or an allocation. Assessments are determined and distributed using cost-causative calculations based on certain metrics, such as head count or square footage. Shared costs that cannot be directly charged or assessed are allocated based on a Modified Massachusetts Method, which is a method that utilizes a combination of total operating revenues, total operating assets, and net income as the basis of allocation. This method has been evaluated and deemed reasonable by the Commission in prior company proceedings. This methodology is further described in the company's CAM. The allocation procedures in the CAM and used by other affiliates to allocate costs to Tampa Electric are reasonable.

Q. How do affiliated companies determine the costs that are charged to Tampa Electric?

A. The costs for products or services provided to Tampa Electric from affiliated companies are charged using similar methods to the ones described above and in accordance with the Affiliate Transaction rule. The company receives direct, assessed, and allocated charges. The cost distribution is based on the nature of the service provided. Examples of these services include risk management, insurance, and treasury. There are also Emera, Inc. functions that partner with Tampa Electric and charge for their involvement. Examples of these services include safety, legal, information technology and human resources.

Q. Does Emera charge Tampa Electric for Merger or Acquisition related costs?

A. No.

Q. Please describe the changes in affiliate relationships that have occurred since the company's last rate case.

A. Since the company's last rate case, the only major change is the separation of Peoples Gas System from Tampa Electric. Peoples Gas System operated as a division of Tampa Electric Company and was regulated by the Commission as a stand-alone entity. Consistent with how most utility companies are organized, Emera decided in 2022 that it was time to legally separate its Florida electric and natural gas utilities to reflect their different business needs, geographic reach, and regulatory constructs. The natural gas assets, liabilities, and equity of the Peoples Gas System, a division of Tampa Electric Company were therefore transferred as part of a tax-free exchange to a new corporation named Peoples Gas System, Inc. (“Peoples”), effective January 1, 2023 (“2023 Transaction”).

Q. Has the 2023 Transaction impacted the level of cost allocations to and from Tampa Electric and its affiliates?

A. No. The 2023 Transaction did not materially impact the level of cost allocations to and from Tampa Electric and its affiliates. However, Peoples repaid Tampa Electric its intercompany debt in December 2023, so Peoples no longer pays interest expense to Tampa Electric.

Q. Does the company expect to be involved in any other restructuring activities in 2024?

A. Yes. Mr. Chronister discusses one other corporate restructuring in his testimony. The company does not expect that change to impact the level of costs charged to Tampa Electric by affiliates or by Tampa Electric to affiliates.

Q. Are the projected affiliate transactions reflected in the 2025 test year reasonable?

A. Yes. The affiliated transactions reflected in the test year are reasonable. The services provided to affiliates and from affiliates are documented in agreements between the companies. Cost distributions for services exchanged between affiliates are based on agreed-upon methodologies. Both incoming and outgoing charges are subject to the internal control system for each company. The services provided by affiliates are appropriate and prudently incurred to achieve the most efficient and effective operation of functions that are vital to delivering utility service at a reasonable cost. The charging of costs to affiliates is reasonable and allows Tampa Electric to ensure a streamlined cost profile for functions required to prudently operate the business.

(7) 2026 and 2027 SYA

Q. How do you expect the company's financial profile and condition to change after 2025?

A. The company's financial profile will evolve as projects placed in service during 2025 and 2026 begin to be reflected fully in Tampa Electric's 13-Month Average Plant in Service through 2026 and 2027. Tampa Electric expects to place several projects into service during 2025. Therefore, the first full year in service for these projects will be 2026. Additionally, the company expects to place several projects into service in 2026 and those projects will have their first full year in service in 2027.

Projects expected to go into service in 2025 include our Polk 1 Flexibility Project; Wimauma, Lake Mabel, and South Tampa Energy Storage Capacity projects; Corporate Headquarters; the Bearss Operations Center; a portion of the South Tampa Resilience project; components of the Grid Reliability and Resilience project; and Solar projects at Cottonmouth and Duette. Page 2, Document No. 5 of my exhibit provides further details on these projects, timing of in service and how they impact the 2026 SYA.

Projects expected to go into service in 2026 include our Polk Fuel Diversity Project; a portion of the South Tampa Resilience project; components of the Grid Reliability and Resilience project; and Solar projects at Big Four and Farmland as well as solar projects at Brewster and Wimauma 3. Page 2, Document No. 5 of my exhibit provides further details on these projects, timing of in service and how they impact the 2027 SYA.

Absent additional rate relief in 2026 and 2027, these plant additions will put pressure on our ability to earn within the range of return on equity the company is proposing in this proceeding. Mr. Chronister discusses the impact of these projects on our expected 2026 and 2027 financial condition in his testimony.

Q. What are the amounts of incremental plant in service for these assets?

A. Document No. 5, page 1, of my exhibit includes a schedule reflecting the projected 13-month average in-service value for 2026 and 2027 for these projects. The schedule also shows the expected incremental revenue requirement needed for each project.

Q. What are the in-service dates for these projects?

A. Document No. 5, page 2, of my exhibit includes a schedule reflecting the in-service date and incremental revenue requirement for 2026 and 2027 for these projects.

Q. How would these plant additions impact company regulatory filings?

A. Given the expected rate base growth from normal plant additions and the major projects described above, and absent an alternative regulatory approach, the company anticipates that it would need to seek additional base rate relief for 2026 and 2027. Specifically, the company would expect to file another general request for base rate relief in 2025 seeking additional base revenues in 2026 and a general rate proceeding in 2026 seeking additional base revenues in 2027.

Q. Has the company considered alternatives to filing full general rate proceedings in these two years?

A. Yes. The company proposes that the Commission approve incremental SYA to cover the asset additions described above.

The first SYA would be effective for the first billing cycle in 2026 in the amount of $100,074,841 and would cover the incremental revenue requirement as described in Document No. 5 of my exhibit.

The second SYA would become effective for the first billing cycle in 2027 in the amount of $71,847,925 and would cover the incremental revenue requirement as described in Document No. 5 of my exhibit.

Mr. Chronister explains why the company needs subsequent year adjustments for 2026 and 2027 in his testimony.

Q. Please provide additional detail related to the calculation of the revenue requirements to be recovered by the company's proposed 2026 and 2027 SYA.

A. Document No. 5 of my exhibit shows the revenue requirement for the projects to be recovered through the two SYA using the 13-month average in-service value incremental to 2025 consistent with the methodology used for the Generation Base Rate Adjustment in the 2021 Agreement.

Q. What assumptions did you make when calculating the SYA shown in Document No. 5 of your exhibit?

A. The calculations on Document No. 5 of my exhibit start with the 13-month average in-service amount, incremental to the in- service amount in the prior year revenue requirement for each SYA project. That amount is then multiplied by the 2025 Rate of Return reflected in MFR Schedule A-1 of 7.37 percent. The resulting net operating income need for each project was multiplied by the NOI Multiplier reflected in MFR Schedule A-1 of 1.34364 to gross up the amount for taxes. This resulted in the calculated return for each project.

The company based the incremental O&M projections for the SYA on amounts expected to be incurred by operations. We used the depreciation rate for 2025 for each project. We calculated incremental property tax expense for Solar projects as the prior year end net book value times an estimated percentage of the net book value of assets that is included in the property tax calculation. For Solar Wave 3 and Solar Wave 4 projects, this percentage was 20 percent (consistent with the solar property tax exemption percentage). This amount was then further multiplied by the projected millage rate of 1.63 percent. The company calculated property tax expense for non-solar projects using the prior year end original in-service amount times an estimated percentage of the original cost of assets that is included in the property tax calculation. For the Polk 1 Flexibility project, Energy Storage projects, Corporate Headquarters, Bearss Operations Center, South Tampa Resilience project, Polk Fuel Diversity project, and Grid Reliability and Resilience projects, this percentage was 55 percent (consistent with historical percentages). This amount was then further multiplied by the projected millage rate of 1.63 percent.

For the solar projects, we included a reduction for the projected production tax credits that each location is expected to generate. For the energy storage projects, we included a reduction for the projected investment tax credits that each location is expected to realize.

Finally, we added the return on assets to the operating expense total (inclusive of the benefits of production tax credits for solar projects and investment tax credits for energy storage projects) to determine the total revenue requirement for each project.

Q. What rate design principles does the company propose to use for calculating the customer rates needed to implement the 2026 and 2027 SYA?

A. We propose that the rates to implement the SYA be calculated using the rate design methodology that will be approved by the Commission for our 2025 general base rate increase.

(8) SUMMARY

Q. Please summarize your direct testimony.

A. My direct testimony describes the reasonableness of the company's 2025 test year. I explain the budgeting process the company used to develop its financial forecasts, and why it is reasonable and reliable for operating our business and for ratemaking purposes in this proceeding. I present our proposed 2025 rate base, net operating income, and revenue requirement increase as well as the revenue requirement calculations for the company's proposed 2026 and 2027 subsequent year adjustments.

I explain how the amount of capital in other corporate investments and the level of corporate administrative & general O&M expenses are reasonable and prudent. I also summarize how the company accounts for affiliated transactions and any major changes to affiliated transactions since our last rate case.

These components of my direct testimony support and explain the calculations and MFR Schedules for Tampa Electric's 2025 requested rate increase of $296,611,085 and its 2026 and 2027 SYA of $100,074,841 and $71,847,925, respectively.

Q. Does this conclude your direct testimony?

A. Yes, it does.

EXHIBIT

OF

RICHARD LATTA

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SPONSORED OR CO-SPONSORED BY RICHARD LATTA

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Tampa Electric Company

2019-2025 Budgeted versus Actual Jurisdictional Adjusted Rate Base

(Dollars in 000's)

2019-2025

	2019		2020		2021		2022		2023		2024	2025
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Budget
Adjusted Rate Base	6,367,331.3	6,311,613.2	6,778,497.2	6,709,069.6	7,085,764.6	7,029,445.3	7,678,223.9	7,617,460.1	8,604,541.3	8,681,759.3	9,100,512.7	9,798,150.3

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TAMPA ELECTRIC COMPANY
DOCKET NO. 20240026-EI
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TAMPA ELECTRIC COMPANY

2022-2025 Company Capital Investments

	2022	2023	2024	2025
Whitworth	447,407,290	460,891,347	424,027,826	495,045,131
Stryker	339,127,088	286,237,302	271,388,907	485,110,891
Aldazabal	182,189,009	415,085,568	459,086,737	360,343,124
Lukcic	72,742,292	89,823,206	95,029,185	220,958,300
Heck	19,651,679	28,361,444	26,535,374	22,930,933
Sparkman	11,188,853	13,889,020	14,400,644	15,095,580
Latta	10,370,632	13,240,628	13,635,542	17,467,928
	1,082,676,843	1,307,528,515	1,304,104,215	1,616,951,887

Total				
AFUDC	403,903,261	493,692,733	628,135,345	819,057,185
Clause	191,802,482	239,209,260	201,515,480	203,255,933
BTL	2,446,528	904,081	4,496,475	1,730,911
	598,152,271	733,806,075	834,147,300	1,024,044,029

Base Rate Spend

	2022	2023	2024	2025
Whitworth	269,228,651	275,612,963	220,501,047	251,965,744
Stryker	-	-	6,224,627	17,931,546
Aldazabal	106,357,680	154,471,217	120,351,094	140,391,528
Lukcic	69,260,066	89,586,570	70,017,062	128,855,509
Heck	19,651,679	28,361,444	26,535,374	22,930,933
Sparkman	9,655,862	12,449,618	12,692,169	13,364,669
Latta	10,370,632	13,240,628	13,635,542	17,467,928
	484,524,571	573,722,440	469,956,916	592,907,857

TAMPA ELECTRIC COMPANY

2022-2025 Total Fuel & Other O&M

Fuel & Other O&M - Total Company per Books (System Per Books)

	2022	2023	2024	2025
Production (Aldazabal)	930.2	785.0	870.1	809.2
Transmission (Whitworth)	18.1	17.9	15.2	16.3
Distribution (Whitworth)	65.3	73.5	76.8	72.6
Customer Accounts (Sparkman)	35.0	43.6	39.7	39.6
Customer Service and Information (Sparkman)	40.7	45.3	46.8	68.2
Sales Expense (Sparkman)	0.5	0.7	0.3	0.3
Administrative & General - Benefits (Cacciatore)	101.1	91.3	95.6	102.0
Administrative & General - Technology (Heck)	33.2	32.9	35.1	36.8
Administrative & General - Corporate (Latta)	28.1	25.5	29.1	20.8
	1,252.2	1,115.8	1,208.8	1,165.9

Fuel & Other O&M - Commission Adjustments

	2022	2023	2024	2025
Fuel	832.0	682.1	753.5	682.1
Conservation Clause	39.3	44.5	43.2	64.1
ECRC Clause	1.2	1.7	2.0	2.0
SPP Clause	24.7	28.2	30.0	23.2
Other Commission Adjustments	11.8	11.5	11.3	0.3
	909.1	768.0	840.1	771.8

Fuel & Other O&M - Adjusted Total Company (FPSC Adjusted)

	2022	2023	2024	2025
Production (Aldazabal)	96.9	101.0	114.5	125.1
Transmission (Whitworth)	12.7	12.1	11.2	11.5
Distribution (Whitworth)	46.5	51.8	50.8	54.1
Customer Accounts (Sparkman)	35.0	43.6	39.7	39.6
Customer Service and Information (Sparkman)	2.0	2.1	4.9	5.5
Sales Expense (Sparkman)	0.5	0.7	0.3	0.3
Administrative & General - Benefits (Cacciatore)	100.2	89.7	94.6	101.0
Administrative & General - Technology (Heck)	33.2	32.9	35.1	36.8
Administrative & General - Corporate (Latta)	16.1	13.8	17.6	20.2
	343.1	347.8	368.7	394.1

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2026 and 2027 Subsequent Year Adjustment (SYA) Details
Summary Revenue Requirement

		Polk 1 Flexibility Project	Energy Storage	Corporate Headquarters	Bearss Operation Center	South Tampa Resilience Project	Polk Fuel Diversity Project	Grid Reliability & Resilience Projects	Solar	Total
2026 Incremental Revenue Requirement										
1.	Original In-Service Amount (13-Month Average)	30,959,547	41,559,688	70,262,090	175,883,253	68,906,417	16,159,560	33,327,170	315,176,879	752,234,604
2.	Rate of Return (MFR A-1)	7.37%	7.37%	7.37%	7.37%	7.37%	7.37%	7.37%	7.37%	7.37%
3.	NOI Requested (line 1 x line 2)	2,281,719	3,062,949	5,178,316	12,962,596	5,078,403	1,190,960	2,456,212	23,228,536	55,439,690
4.	NOI Multiplier (MFR A-1)	1.34364	1.34364	1.34364	1.34364	1.34364	1.34364	1.34364	1.34364	1.34364
5.	Return on Rate Base (line 3 x line 4)	3,065,808	4,115,501	6,957,793	17,417,062	6,823,545	1,600,221	3,300,265	31,210,790	74,490,986
6.	O&M Expense	(37,142)	217,300	986,281	1,066,000	663,561	-	146,335	3,799,583	6,841,918
7.	Depreciation Expense	1,435,491	4,575,371	1,223,209	5,335,899	1,459,938	537,651	905,313	9,672,887	25,145,759
8.	Property Taxes	721,636	1,278,784	1,620,061	3,206,785	1,016,053	-	247,434	789,029	8,879,782
9.	ITC Amortization / PTC	-	(1,196,669)	-	-	-	-	-	(14,086,935)	(15,283,604)
10.	Total Revenue Requirement (Sum of lines 5 - 9)	5,185,793	8,990,287	10,787,343	27,025,746	9,963,097	2,137,872	4,599,348	31,385,355	100,074,841
2027 Incremental Revenue Requirement										
1.	Original In-Service Amount (13-Month Average)	-	-	-	-	27,623,904	37,696,510	128,546,521	323,985,153	517,852,088
2.	Rate of Return (MFR A-1)	7.37%	7.37%	7.37%	7.37%	7.37%	7.37%	7.37%	7.37%	7.37%
3.	NOI Requested (line 1 x line 2)	-	-	-	-	2,035,882	2,778,233	9,473,879	23,877,706	38,165,699
4.	NOI Multiplier (MFR A-1)	1.34364	1.34364	1.34364	1.34364	1.34364	1.34364	1.34364	1.34364	1.34364
5.	Return on Rate Base (line 3 x line 4)	-	-	-	-	2,735,492	3,732,945	12,729,482	32,083,041	51,280,960
6.	O&M Expense	-	-	-	-	31,105	155,000	1,369,336	3,234,343	4,789,785
7.	Depreciation Expense	-	-	-	-	622,459	1,686,605	13,390,644	11,284,805	26,984,512
8.	Property Taxes	-	-	-	-	532,321	482,820	1,298,931	1,367,298	3,681,369
9.	ITC Amortization / PTC	-	-	-	-	-	-	-	(14,888,701)	(14,888,701)
10.	Total Revenue Requirement (Sum of lines 5 - 9)	-	-	-	-	3,921,376	6,057,369	28,788,393	33,080,787	71,847,925

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TAMPA ELECTRIC COMPANY
2026 and 2027 Subsequent Year Adjustment (SYA) Details
Summary Revenue Requirement

	2025 (Jan–Dec)	2026 (Jan–Dec)	2027 (Jan–Dec)
Polk 1 Flexibility Project			
May 2025	5.1	5.2	
Energy Storage			
February 2025 - Wimauma	7.2	2.6	
April 2025 - Lake Mabel	6.7	4.1	
April 2025 - South Tampa	3.5	2.3	
Corporate Headquarters			
May 2025	19.3	10.8	
Bearss Operations Center			
June 2025 - Building and Land	22.7	21.2	
October 2025 - Emergency Management System Upgrade	1.3	5.8	
South Tampa Resilience Project			
April 2025 - Generation (Recips 1 and 2)	9.1	6.2	
June 2026 - Generation (Recips 3 and 4)		3.8	3.9
Polk Fuel Diversity Project			
September 2026		2.1	6.1
Grid Reliability and Resilence			
August 2025 - Grid Communication Network (PLTE Spectrum)	1.8	2.5	
September 2026 - Customer Information Device Expansion		1.1	3.2
December 2026 - Grid Communication Network (Hardware), Work Management and Control Systems		1.1	25.6
Solar			
December 2025 - Cottonmouth & Duette	1.9	21.8	
May 2026 - Big Four		6.2	6.2
December 2026 - Farmland, Brewster & Wimauma 3, and Trailing Charges		3.4	26.8

2025 Revenue Requirement
2026 Subsequent Yr Adjustment
2027 Subsequent Yr Adjustment

Total 2026 Revenue Requirement: 100.1

Total 2027 Revenue Requirement: 71.8

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