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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 Valerie Strickland and Exhibit No. VS-1.

Thank you for your assistance in connection with this matter.

(Document 16 of 32)

Sincerely,

J. Jeffry 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

VALERIE STRICKLAND

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

VALERIE STRICKLAND

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

A. My name is Valerie Strickland. My business address is 702 North Franklin Street, Tampa, Florida 33602. I am employed by Tampa Electric Company ("Tampa Electric" or the "company") as Director Corporate Taxes.

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

A. As an employee of Tampa Electric, I provide United States ("U.S.") tax services that are included in the shared services that Tampa Electric provides to U.S. affiliates. With the exception of payroll taxes, which are the responsibility of the company's payroll department, I am responsible for the preparation and filing of all tax returns, tax accounting for both internal and external purposes, tax planning, and managing all federal and state tax audits for the Emera U.S. affiliates, including Tampa Electric.

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

A. I was educated in Europe where I received a master's degree in accounting and finance from the Institute de l' Administration and Gestion in Paris, France. Upon graduation in 1992, I joined Coopers & Lybrand LLC, an independent accounting firm, as a tax professional. In 1998, Coopers & Lybrand LLC merged with Price Waterhouse and became Price Waterhouse Coopers LLP ("PwC").

I continued to work for PwC as a Tax Manager until I joined the TECO Energy Tax department in 2000 as a Manager Corporate Tax. Since then, I have focused on the preparation of U.S. federal and state income tax returns for TECO Energy and its subsidiaries, and now the U.S. companies that are part of Emera, Inc. ("Emera"). I have over 23 years of utility tax industry knowledge and experience.

I am an active participant of the Tax Analysis and Research Subcommittees of the Edison Electric Institute ("EEI") and the EEI Taxation Committee.

Q. Have you testified or filed testimony in proceedings before the Florida Public Service Commission ("Commission")?

A. Yes. I filed testimony before this Commission in three dockets. The first docket was in Emera affiliate Peoples Gas System's filing for consideration of the tax impacts associated with the Tax Cuts and Jobs Act of 2017 ("TCJA") under Docket No. 20180044-GU. The second was in Docket No. 20180045-EI, which addressed the tax impacts of the TCJA for Tampa Electric. The third was the 2020 petition for an increase in base rates and charges by Peoples Gas System, Docket No. 20200051-GU. In May 2023, I was also part of a panel deposition related to Peoples Gas System Inc.'s Docket 20230023-GU, Petition for Rate Increase.

Q. What are the purposes of your direct testimony?

A. The purposes of my prepared direct testimony are to: describe changes in income tax law since the company's last general base rate proceeding in 2021; discuss the impact of new renewable tax credits on the company's income tax expense for the 2025 test year; present the company's calculation of income tax expense for 2023 historical prior year, 2024 projected prior year and 2025 projected test year; explain Accumulated Deferred Income Taxes ("ADIT") and Investments Tax Credits ("ITC") in the company's projected capital structure; and (5) present the company's parent debt adjustment ("PDA") calculation for 2025.

My prepared direct testimony shows that: (1) the company's projected income tax expense and ADIT for the 2025 test year were developed using a methodology consistent with the company's actual 2023 income tax calculations and the company's test year cost of service; (2) the ADIT calculations for the 2025 test year are consistent with the specific Internal Revenue Code ("IRC") applicable to the company's 2025 projected test year; and (3) the PDA was calculated consistent with the Commission methodology used in the company's last rate case proceeding and the Commission's current PDA rule.

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

A. Yes. Exhibit No. VS-1 was prepared under my direction and supervision. My Exhibit consists of three documents, entitled:

Document No. 1	List of Minimum Filing Requirement ("MFR") Schedules - Sponsored or Co-Sponsored by Valerie Strickland
Document No. 2	Calculation of 2025 PTC Revenue Requirement Impact and Proposed Amortization of Deferred PTC Benefit

Document No. 3 Calculation of IRC Required Deferred Income Tax Adjustment

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

A. Yes. I am sponsoring or co-sponsoring 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 testimony relate to the testimony of other Tampa Electric witnesses?

A. My direct testimony explains and supports the income tax calculation for the test year 2025 that is included in the revenue requirement calculations shown in Tampa Electric witness Richard Latta's testimony. I also explain and support the 2025 test year ADIT and ITC amounts included in the proposed capital structure discussed in Tampa Electric witness Jeff Chronister's testimony.

(1) INCOME TAX CHANGES

Q. What changes have occurred in the income tax area since the company’s last general base rate proceeding in 2021?

A. There have been no major changes to the State of Florida corporate income tax statutes and rules. In the federal area, Congress enacted the Inflation Reduction Act (“IRA”), which became effective on August 16, 2022 and made important changes for public utilities like Tampa Electric.

Specifically, the IRA included incentives for taxpayers in the energy markets such as the extension and modification of existing ITC, which includes a new ITC for energy storage technology, and production tax credits (“PTC”) for solar projects. Later in my testimony I explain how the PTC and other credits available under the IRA apply to the company’s solar generating and other facilities and reduce income tax expense.

(2) RENEWABLE TAX CREDITS IN THE IRA AND OTHER TAX CREDITS

Q. Did Congress enact legislation since the company’s last rate case that changed the availability of federal income tax credits to Tampa Electric?

A. Yes, the IRA became effective on August 16, 2022, right after the company settled its last rate case. Among other things, the IRA increased the ITC applicable to certain renewable energy projects from 26 percent to 30 percent of the cost of the asset and extended the PTC in section 45 of the Internal Revenue Code ("IRC") to electricity produced by solar energy facilities.

Q. What is the PTC?

A. The PTC is a tax credit that reduces income tax expense in amount equal to $2.75 cents per kWh of solar energy produced by a qualifying facility during a tax year. The PTC is available for solar energy facilities placed in service on or after January 1, 2022. PTC may be claimed annually for 10 years following the in-service date of the solar facility. Under Section 45 of the IRC, the Internal Revenue Service ("IRS") has authority to adjust the rate.

Q. How do ITC and PTC differ?

A. In general, ITC are calculated as a fixed percentage or rate times the total cost of the qualifying asset and are reflected on the tax return for the year in which the asset goes in service. For ratemaking purposes, the IRC and IRS Treasury Regulations require that the total amount of the ITC be amortized over the life of the asset as a reduction to income tax expense (i.e., be "normalized"). This creates a smoothing effect that minimizes large, ITC-based changes to tax expense by recognizing the value of the credit for ratemaking purposes ratably, not all at once when an asset goes in service.

PTC are not calculated based on the cost of a qualifying asset, but rather, on the energy the asset produces over a 10-year period. The IRA did not impose a normalization requirement on the solar PTC. However, allowing a taxpayer to claim the PTC for a ten-year period has a smoothing effect similar to normalization by allowing taxpayers to recognize the value of the PTC over a long period of time (10 years), not just in the year the qualifying asset goes in service.

Q. How did the IRA change the availability of the ITC?

A. The IRA made a 30 percent ITC available for standalone energy storage facilities beginning in 2023. The ITC are still available for solar generating facilities for which construction begins before January 1, 2025; however, under new IRA provisions, companies can now elect the PTC for their solar facilities, in lieu of the ITC.

Q. Did the IRA establish any other requirements for the ITC and PTC?

A. Yes. The availability of both credits is subject to prevailing wages and apprenticeship requirements, known as the labor standards. The company intends to meet these requirements. Companies who do not meet the labor standards would only be able to claim 20 percent of the 30 percent ITC rate (6 percent of the qualified costs of the facility) or 20 percent of the PTC rate ($0.55 cents per kWh).

Q. Did the IRA change the federal statutory tax rate applicable to Tampa Electric?

A. No. The IRA did not change the statutory federal corporate income tax rate but did create a 15 percent alternative minimum tax effective in 2023 that is not applicable to Tampa Electric, because the worldwide adjusted financial statement income of Emera is not expected to average over $1 billion in U.S. Dollars.

Q. Which credits enacted in the IRA does the company plan to elect for the solar and other qualifying assets?

A. With the enactment of the IRA, the company determined that PTC were more beneficial to customers and as a result, elected to claim PTC for its solar plants placed in service in 2022, 2023, 2024, and 2025. Since PTC are allowed for a period of 10 years following the in-service date of the solar facility, the cumulative amount of PTC expected to be claimed in the test year 2025 is contributing to an income tax expense reduction of $35.4 million, which decreases the revenue requirement by $47.5 million. These PTC are the main reason that income tax expense is lower in test year 2025 than previous years.

Additionally, the company will claim the new 30 percent ITC in the amount of $42.3 million for its qualified standalone energy storage facilities expected to be placed in service in 2025.

Q. How does the company propose to account for those credits in the calculation of its 2025 test year income tax expense?

A. The PTC is a tax credit that reduces income tax expense, the amount of which is based on per kWh rate prescribed by applicable federal statutes. The ITC is calculated on a normalized basis in accordance with IRS normalization rules and amortized over the life of the asset.

Q. Did the IRA introduce other rules related to the treatment of ITC?

A. Yes, the IRA introduced a provision to elect out of the IRS normalization rules for energy storage technology.

Q. How has the company treated the ITC on its energy storage facility in its test year 2025?

A. The company has calculated the ITC in accordance with the long-standing IRS normalization rules. The ITC has been deferred and amortized over the regulatory life of the asset, which is 10 years for energy storage.

Q. Please explain why the company is using the normalization method of accounting for the ITC for energy storage.

A. The general normalization rules have been in place since 1986. This is a method of accounting in which tax benefits associated with accelerated depreciation and ITC from regulated companies are spread over the same time period that the costs of investments are recovered from customers. The objective of normalization is to ensure that current and future customers are treated equitably by allowing all customers to enjoy the tax benefits associated with the utility assets. Normalization accounting has the effect of leveling customers' rates over time, and therefore avoiding volatility in the company tax expense profile, which would occur should the company elect out of normalization.

Q. The company's last rate case was resolved by a unanimous Stipulation and Settlement Agreement ("2021 Agreement") approved by the Commission in Order No. PSC-2021-0423-S-EI, issued on November 10, 2021. Does the 2021 Agreement specify the steps the company must take during the term of that agreement to address new tax credits?

A. Yes, the 2021 Agreement requires "normalization" of any new tax credits. Normalization of the PTC available for Solar Wave Two assets that went in service in 2022, 2023, and 2024 over a 10-year period yields approximately the same revenue requirement as the revenue requirement reflected in the company's 2022 base rate and the 2023 and 2024 Generation Base Rate Adjustments ("GBRA"). As shown in Exhibit One of Docket 20230090-EL, Petition to Implement 2024 Generation Base Rate Adjustment Provisions in 2021 Agreement ("IRA GBRA Petition"), the variance between normalized ITC and normalized PTC was $300 thousand, or a revenue requirement decrease of approximately $400 thousand. As a result, the company proposed to make no changes to its 2023 and 2024 GBRA, and to propose an income tax reduction mechanism in this general base rate proceeding.

Q. Which credit did the company elect to take for the solar generation assets approved in the 2021 Agreement?

A. For each Solar Wave Two facility placed in service during 2022 and through 2024, the company elected the PTC to ensure the highest amount of tax credit is available to offset its income tax expense, and subsequently allow customers to benefit from this tax expense reduction. Specifically, the company elected PTC for the following projects:

<u>Solar Wave 2 Tranche 1</u>: Mountain View, Jamison, and Big Bend Solar I, all placed in service in early 2022

<u>Solar Wave 2 Tranche 2</u>: Big Bend Solar II, Laurel Oaks, Riverside, and Palm River, all placed in service in December 2022 ("2023 GBRA assets")

<u>Solar Wave 2 Tranche 3</u>: Alafia, Dover, and Lake Mabel (formerly Wheeler), all placed in service in December 2023 ("2024 GBRA assets")

Q. What actions did the company take to support and implement its decision to elect PTC for its GBRA assets?

A. The company compared the total revenue requirement impact of the ITC for its solar facilities to the PTC for those same facilities and concluded that electing the PTC significantly reduced tax expense and decreased revenue requirement.

Beginning in 2022, the company recorded a regulatory liability to defer the incremental tax benefits of PTC over the original estimated ITC tax amortization calculated in its 2022 base rates and 2023 and 2024 GBRA assets ("deferred PTC").

The deferred PTC balance on December 31, 2024, is expected to be $55.3 million as shown on Document No. 2 of my exhibit.

Q. How does this amount compare to Exhibit One filed in the IRA GBRA Petition?

A. This $55.3 million balance is lower than the estimated balance of $61 million deferred revenue requirement reduction filed in the IRA GBRA Petition.

Q. Why is the amount different?

A. The deferred PTC balance of $55.3 million has been updated with actual PTC generated by the company in 2022 and 2023 and updated for 2024 forecasted PTC. In the IRA GBRA Petition the company expected total PTC for 2022-2024 to be $54 million and is now projecting PTC of $49.75 million. The variance of $4.25 million represents a lower deferred revenue requirement reduction of $5.7 million ($61 million less $55.3 million), as shown on Document No. 2 of my exhibit.

Q. How does the company propose to account for the PTC arising from its GBRA assets in 2025 in the calculation of its projected 2025 income tax expense?

A. The company has calculated PTC for the 2025 test year using the per kWh rate prescribed by applicable federal statutes multiplied by the estimated amount of energy to be produced by its 2023 and 2024 GBRA assets, as well as Solar Wave Two Tranche 1 assets placed in service in 2022.

Q. How does the company propose to account for the deferred PTC balance as of December 31, 2024 in this case?

A. The company proposes to amortize the regulatory liability related to the deferred balance as a reduction of expense over a period of 10 years beginning January 1, 2025. This proposal reduces the 2025 test year revenue requirement by approximately $5.5 million and is consistent with the 10-year period for which PTC are available for a project under the IRC. This $5.5 million reduction is reflected on MFR Schedule C-4, page 4 of 8, sponsored by Mr. Latta.

Q. Please explain the research and development tax credit available under the IRC.

A. The research and development tax credit is a federal tax credit of IRC Section 41 which is based on qualified research expenditures incurred during a tax year. The research and development tax credits are available to Tampa Electric because of our investment to modernize our generation assets and to innovate our Electric Delivery technologies that will improve reliability and provide new functions, features, and services for the company and customers.

Q. How does the research and development tax credit affect the 2025 test year?

A. The research and development tax credit reduces test year income tax expense by approximately $1.8 million.

Q. Please summarize how the company has accounted for and the impact of income tax credits in the calculation of its 2025 income tax expense.

A. In total, tax credits reduce the company's 2025 income tax expense by $50.1 million, which represents a $67.3 million lower revenue requirement.

The company has reduced test year income tax expense by approximately $35.4 million to reflect the estimated amount of PTC generated by its solar plants placed in service beginning 2022 and thereafter.

For solar generating facilities placed in service prior to 2022, the company claimed ITC and deferred and amortized (normalized) the ITC over the regulatory life of the asset, resulting in ITC amortization which reduces test year income tax expense by $9.9 million.

New ITC for standalone energy storage facilities are being deferred and normalized over the regulatory life of the assets, which reduces test year income tax expense by $3 million.

Income tax expense for 2025 has been reduced by $1.8 million for the estimated research and development tax credit.

Q. What is the impact of tax credits and the deferred PTC amortization on the company’s test year revenue requirement?

A. The company’s test year revenue requirement includes a revenue requirement reduction from tax credits of $67.3 million and a revenue requirement reduction from the amortization of deferred PTC of $5.5 million, for a total revenue requirement reduction of $72.8 million.

(3) INCOME TAX EXPENSE

Q. Is the income tax expense reflected in the 2023 historical prior year, 2024 projected prior year and 2025 projected test year MFR Schedules computed appropriately?

A. Yes. Federal and state income tax expenses for all three years have been correctly computed in accordance with Generally Accepted Accounting Principles (“GAAP”), the requirements of the Commission, and the requirements of the

IRC, including the special provisions applicable to utilities.

Consistent with the company's previous rate proceedings and long-standing Commission precedent, the company computed its test year income tax expense on a stand-alone basis. The projected total income tax expense for 2025 is based on the projected taxable income and the federal and state income tax laws, regulations, and rules expected to be in place during the 2025 test year.

As shown in MFR Schedule C-22 Page 3, the company calculated income tax expense using the federal and state rates expected to be in effect for the 2025 test year of 21 percent and 5.5 percent, respectively. We computed deferred taxes and the related accumulated deferred income tax based on the projected book/tax temporary differences for the 2025 forecasted period.

Q. Are there other items that impact the projected 2025 tax expense?

A. Yes, there are three other items that impact tax expense:(1) the flow back of net excess deferred taxes; (2) the amortization of ITC; and (3) tax credits.

Q. Please explain how these items were calculated.

A. First, as shown on MFR Schedule C-22 Page 3, we included the forecasted flow back of net excess deferred taxes in our tax expense calculation in the amount of $26.8 million. This amount was calculated in accordance with the Commission's orders related to federal and state tax reform provisions in the 2021 Settlement Agreement, Dockets No. 20180045-EI and 20190203-EI, respectively.

This amount represents the flow back of excess deferred taxes calculated as a result of TCJA and state income tax rate reductions enacted in 2019 and 2021, reduced by the deficient state taxes from the company's revaluation at the 5.5 percent effective rate of its state income tax deferred balance. This revaluation created deficient deferred taxes of approximately $21 million, which the company recorded as a credit to ADIT with a corresponding debit to a regulatory asset at December 31, 2021, as provided in Rule 25-14.13(4), Florida Administrative Code. The impact of the flow back of the deficiency is a $3.2 million tax expense or $4.2 million increase to revenue requirement which represents one fifth of the $21 million regulatory asset, consistent with the Tax Reform section 11(c) (vii) of a 5 year flow back for remeasurement of deferred taxes less than $100 million.

Second, we calculated the amount of ITC amortization related to ITC claimed on the company's solar and energy standalone energy storage facilities. These ITC are being deferred and amortized over the regulatory life of the assets and per the normalization requirements of the IRC. The ITC on solar generation assets is being amortized over 30 years as proposed in the company's recently filed depreciation study, and the energy storage assets are being amortized over 10 years. The total ITC amortization in the 2025 test year is a $12.9 million reduction to tax expense, as shown on MFR Schedule C-22 Page 3.

Finally, we reduced our income tax expense by tax credits allowed under the IRS rules, which include research and development tax credits of $1.8 million and the new PTC enacted in the IRA of $35.4 million.

Q. What is the appropriate amount of Income Tax expense for the 2025 test year?

A. As shown on MFR Schedule C-22 Page 3, the total tax expense for the projected test year 2025 is $28.9 million. This amount is also shown on MFR Schedule C-1, as Total

Company per Books Income Taxes, and corresponds to the Jurisdictional Adjusted Income Taxes (credit) of $(8.3) million shown on MFR Schedule C-1.

(4) ADIT AND TAX CREDITS IN CAPITAL STRUCTURE

Q. Is the amount of ADIT in the projected capital structure reasonable?

A. Yes The ADIT for the 2025 forecasted period have been computed based on the projected book/tax temporary differences and in accordance with GAAP, the requirements of the Commission, and IRC rules, including special provisions applicable to utilities. As shown on MFR Schedule B-22, the forecasted net ADIT balance for the year ended December 31, 2025 is $927.2 million.

Q. Is the amount of ITCs in the projected capital structure reasonable?

A. Yes. The ITC balance for the 2025 forecasted period has been computed in accordance with GAAP, the requirements of the Commission and IRC rules, including special provisions applicable to utilities. As discussed earlier, for the 2025 activity, the ITCs for solar facilities have been amortized over 30 years as proposed in the company's recently filed depreciation study. As shown on MFR Schedule B-23, the forecasted unamortized ITC balance for the year ended December 31, 2025, is $264.1 million.

Q. Did the company make any capital structure adjustment to ADIT to comply with the IRC?

A. Yes. The company has adjusted its ADIT balances in the capital structure to reflect the normalization adjustment required when a utility taxpayer uses a projected test period for ratemaking purposes. This adjustment reduces ADIT with an offset applied to investor sources of capital on a pro-rata basis.

The ADIT balances on MFR Schedule D-01a, Page 3, sponsored by Mr. Chronister are based on a 13-month average of projected balances. However, the IRC requires a specific computation to determine the maximum amount of ADIT to be treated as zero-cost capital in the cost of capital calculation.

Q. Please discuss the projected test year normalization requirements.

A. Under Treasury Regulations § 1.167(l)-1, when a projected test period is used to set rates and the newly determined rates are expected to be in effect for all or a portion of that test period, the utility plant ADIT additions in the portion of the test period in which the new rates are expected to be in effect must be pro-rated over the period for which the new rates are expected to be in effect.

In this filing, the projected test period is the year ending December 31, 2025, with new rates proposed to become effective with the first billing cycle in January 2025. Therefore, the new rates are expected to be in place for the entirety of the projected test year. As a result, January through December 2025 utility plant ADIT additions must be pro-rated. The projected test year utility plant ADIT additions are pro-rated using a ratio in which the numerator is the number of days remaining in the projected test year, and the denominator is the number of days during which the new rates are expected to be in effect in the projected test year. Because the company closes its books on a monthly basis, the proration is also done on a monthly basis. As a result, January 2025 ADIT additions are prorated using a ratio of 335/365, February 2025 ADIT additions are prorated by 307/365, and so on until December 2025 additions are prorated by 1/365. This adjustment is only required for accumulated deferred income taxes recorded in Account 282, net of the ASC 740 component, because this account includes the deferred taxes governed by the IRS normalization rules. The specific computation is shown on Document No. 3 of my exhibit as a reduction to deferred taxes in the amount of $13,080,555 which is included in the specific adjustment on MFR Schedule D-1a, Page 3, sponsored by Mr. Chronister.

Q. What amount of investment tax credits should be approved for the company's test year capital structure?

A. As shown on MFR Schedule B-23, the company has $237.1 million of unamortized ITC credits as of December 31, 2023, and expects to have $264.1 million at December 31, 2025. While the majority of the ITC balance was generated during the 2017-2021 period as a result of the company's investment in solar facilities, the ITC balance in 2024 and 2025 is also projected to increase due to new ITC generated by the company investment in energy storage facilities. This unamortized balance is a regulatory tax liability which is a component of the capital structure, using the weighted average cost rate of investor sources of capital, which is consistent with the methodology used in prior rate case proceedings.

(5) PARENT DEBT ADJUSTMENT

Q. Does Tampa Electric file a consolidated income tax return with other Emera companies?

A. Yes. Tampa Electric is a wholly owned subsidiary of TECO Holdings, Inc., which is a wholly owned subsidiary of Emera United States Holdings, Inc. ("EUSHI"), which is a wholly owned subsidiary of Emera, Inc. Tampa Electric and the other TECO Holdings companies file United States and state income tax returns on a consolidated basis with EUSHI. As shown on MFR Schedule C-27, Tampa Electric does not expect that being included in a consolidated tax return will cause any significant benefit or detriment to Tampa Electric or its customers in the 2025 test year.

Q. Did the company make a parent debt adjustment when calculating its 2025 revenue requirement as contemplated in Rule 25-14.004, Florida Administrative Code?

A. Yes. Tampa Electric calculated a PDA of $12.9 million using the capital structure of Emera Inc. In MFR Schedule C-24, we calculated this adjustment consistent with the methodology used in the 2021 rate case proceeding. This adjustment decreased the company's 2025 revenue requirement by $17.4 million.

Q. Has Tampa Electric made any parent debt adjustments in its annual and monthly earnings surveillance reports?

A. Yes.

Q. Are there expected changes to the existing parent debt calculation as provided in Rule 25-14.004 of the F.A.C?

A. Yes. On February 22, 2024, Commission Staff filed Document No. 00851-2024 under Docket No 20240019-PU- Proposed amendment of Rule 25-14.004, F.A.C, Effect of Parent Debt on federal Corporate Income Tax.

Q. What is the purpose of the proposed amendment?

A. The amendment would eliminate the PDA.

Q. How would the company propose to account for this rulemaking change should this change take effect during this rate case proceeding?

A. Should the Commission approve the elimination of the PDA, the company would request to apply the new rule to its 2025 test year. This would result in an increase in its revenue requirement by the amount of $17.4 million.

(6) SUMMARY

Q. Please summarize your direct testimony.

A. The ADIT and income tax expense included in the Base Period and Future Test Year cost of service are fair and accurate based on the underlying rate base and recoverable expenses included in the cost of service.

The projected 2025 MFR income tax schedules have been presented on a basis consistent with the historical schedules and consistent with other projected information for the test period. Further, the projected 2025 MFR income tax amounts have been properly stated in accordance with GAAP and IRC rules, including the calculation of new tax credits allowed under the IRA. The ADIT amounts have also been adjusted for the amount included on Document No.3 of my exhibit and have been calculated in accordance with the requirements of the Treasury Regulations applicable to projected test periods. The company has performed its calculation of the parent debt adjustment consistent with its prior rate case, including a proposal to modify the computed amount should the PDA be eliminated during the course of this rate case proceeding.

Q. Does this conclude your direct testimony?

A. Yes, it does.

EXHIBIT

OF

VALERIE STRICKLAND

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LIST OF MINIMUM FILING REQUIREMENT SCHEDULES

SPONSORED OR CO-SPONSORED BY VALERIE STRICKLAND

MFR Schedule	Title
B-22	Total Accumulated Deferred Income Taxes
B-23	Investment Tax Credits – Annual Analysis
C-22	State and Federal Income Tax Calculation
C-24	Parent(s) Debt Information
C-25	Deferred Tax Adjustment
C-26	Income Tax Returns
C-27	Consolidated Tax Information
C-28	Miscellaneous Tax Information
C-37	O & M Benchmark Comparison By Function
C-38	O & M Adjustments By Function
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TAMPA ELECTRIC COMPANY
DOCKET NO. 20240026-EI
EXHIBIT NO. VS-1
WITNESS: STRICKLAND
DOCUMENT NO. 2
PAGE 1 OF 4
FILED: 04/02/2024

Document No 2 Calculation of 2025 PTC Revenue Requirement Impact and Proposed Amortization of Deferred PTC Benefit
Rounded in Millions

	As filed in Docket 20230090	Updated in Docket 20240026-EI		Variance
Sum of PTC to be received 2022-2024	54.0	49.75	**Note A**	(4.25)
Sum of ITC normalization 2022-2024	8.6	8.6		-
Deferred PTCs	45.40	41.15		(4.25)
Tax gross up	1.343	1.343		1.343
Deferred Revenue Requirement Reduction	61.0	**55.27**		(5.71)
Proposed amortization of Deferred PTC balance		10 years		
Revenue Requirement reduction for test year 2025		**5.5**		

Note A: updated PTC 2022-2024

	PTC Earned			
Assets	**2022**	**2023**	**2024**	**Cumulative Total as of 01/01/2025**
SW2 Tr1	6.20	8.00	9.70	23.90
SW2 Tr2		6.70	10.30	17.00
SW2 Tr3	-	0.35	8.50	8.85
Total	6.20	15.05	28.50	**49.75**

Note B:
The company is proposing a 10 year amortization of the deferred revenue requirement reduction or $5.5 million annually for 10 years

Tampa Electric
Solar Wave 2

Original Estimated ITC To Be Received Each Year	2022	2023	2024	
Tranche 1	45.8			
Tranche 2		60.2		
Tranche 3			44.2	
Normalization of Estimated ITC				**Total 2022-2024**
Tranche 1 normalization	1.3	1.3	1.3	3.9
Tranche 2 normalization		1.7	1.7	3.4
Tranche 3 normalization			1.3	1.3
	1.3	3.0	4.3	8.6

Estimated PTC To Be Received Each Year	2022	2023	2024	Total
Tranche 1	8.0	8.0	8.0	
Tranche 2		11.0	11.0	
Tranche 3			8.0	54.0
10-Year Amortization of Estimated PTC To Be Received Each Year				**Total 2022-2024**
Tranche 1 PTC received in 2022	0.8	0.8	0.8	2.4
Tranche 1 PTC received in 2023		0.8	0.8	
Tranche 1 PTC received in 2024			0.8	
Tranche 2 PTC received in 2023		1.1	1.1	2.2
Tranche 2 PTC received in 2024			1.1	
Tranche 3 PTC received in 2024			0.8	0.8
	0.8	2.7	5.4	8.9

Sum of PTC to be received 2022-2024	54.0
Sum of ITC normalization 2022-2024	8.6
Deferred PTCs	45.40
Tax gross up	1.34315
Deferred Revenue Requirement Reduction	61.0

Note: All PTC earned amounts are estimates because the actual amounts will be based on actual MWH generated.

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Tampa Electric
Solar Wave 2

Original Estimated ITC To Be Received Each Year	2022	2023	2024
Tranche 1	45.8		
Tranche 2		60.2	
Tranche 3			44.2

Normalization of Estimated ITC	2022	2023	2024	Total 2022-2024
Tranche 1 normalization	1.3	1.3	1.3	3.9
Tranche 2 normalization		1.7	1.7	3.4
Tranche 3 normalization			1.3	1.3
	1.3	3.0	4.3	8.6

Sum of PTC to be received 2022-2024	57.1
Sum of ITC normalization 2022-2024	8.6
Deferred PTCs	48.50
Tax gross up	1.34315
Deferred Revenue Requirement Reduction	65.1

Note: All PTC earned amounts are estimates because the actual amounts will be based on actual MWH generated.

Estimated PTC To Be Received Each Year	2022	2023	2024	
Tranche 1	7.8	8.5	10.2	
Tranche 2	0.5	10.6	10.7	
Tranche 3	-	0.4	8.4	Total
				57.1

10-Year Amortization of Estimated PTC To Be Received Each Year	2022	2023	2024	Total 2022-2024
Tranche 1 PTC received in 2022	0.8	0.8	0.8	2.3
Tranche 1 PTC received in 2023		0.9	0.9	1.7
Tranche 1 PTC received in 2024			1.0	1.0
Tranche 2 PTC received in 2022	0.1	0.1	0.1	0.2
Tranche 2 PTC received in 2023		1.1	1.1	2.2
Tranche 2 PTC received in 2024			1.1	1.1
Tranche 3 PTC received in 2023		0.0	0.0	0.1
Tranche 3 PTC received in 2024			0.8	0.8
	0.8	2.8	5.8	9.4

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Credits:
Rounded in Millions

Exhibit B

Assets	PTC Earned 2022	PTC Earned 2023	PTC Earned 2024	PTC Earned Cumulative Total as of 01/01/2025	ITC amortization per Rate Case/ 2023 and 2024 GBRA 2022	ITC amortization per Rate Case/ 2023 and 2024 GBRA 2023	ITC amortization per Rate Case/ 2023 and 2024 GBRA 2024	ITC amortization per Rate Case/ 2023 and 2024 GBRA Cumulative Total as of 01/01/2025	Variance PTC vs. ITC 2022	Variance PTC vs. ITC 2023	Variance PTC vs. ITC 2024	Variance PTC vs. ITC Cumulative Total as of 01/01/2025
SW2 Tr1	7.80	8.50	10.20	26.50	1.30	1.30	1.30	3.90	6.50	7.20	8.90	22.60
SW2 Tr2	0.50	10.60	10.70	21.80	-	1.70	1.70	3.40	0.50	8.90	9.00	18.40
SW2 Tr3	-	0.40	8.40	8.80	-	-	1.30	1.30	-	0.40	7.10	7.50
Total	8.30	19.50	29.30	57.10	1.30	3.00	4.30	8.60	7.00	16.50	25.00	48.50

Revenue Requirement Equivalent:

Assets	PTC Earned 2022	PTC Earned 2023	PTC Earned 2024	PTC Earned Cumulative Total as of 01/01/2025	ITC amortization per Rate Case/ 2023 and 2024 GBRA 2022	ITC amortization per Rate Case/ 2023 and 2024 GBRA 2023	ITC amortization per Rate Case/ 2023 and 2024 GBRA 2024	ITC amortization per Rate Case/ 2023 and 2024 GBRA Cumulative Total as of 01/01/2025	Variance PTC vs. ITC 2022	Variance PTC vs. ITC 2023	Variance PTC vs. ITC 2024	Variance PTC vs. ITC Cumulative Total as of 01/01/2025
SW2 Tr1	10.48	11.42	13.70	35.59	1.75	1.75	1.75	5.24	8.73	9.67	11.95	30.36
SW2 Tr2	0.67	14.24	14.37	29.28	-	2.28	2.28	4.57	0.67	11.95	12.09	24.71
SW2 Tr3	-	0.54	11.28	11.82	-	-	1.75	1.75	-	0.54	9.54	10.07
Total	11.15	26.19	39.35	76.69	1.75	4.03	5.78	11.55	9.40	22.16	33.58	65.14

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Tampa Electric Company
IRS Pro-Rata Requirement
Account 282 (Method/Life)
Effective Date of Rate Change
1/1/2025

Month	Account	Year 2025 Monthly Change	Days To Prorate	Calendar Days In Future Test Period	Account 282 Prorated	Cumulative Prorated Balance	MFR 13 month Average	Prorata Adjustment
Annual Increase	282	($68,193,261)						
1/31/2025		($5,682,772)	335	365	(5,215,695)	(5,215,695)	(5,682,772)	
2/28/2025		($5,682,772)	307	365	(4,779,756)	(9,995,451)	(11,365,544)	
3/31/2025		($5,682,772)	276	365	(4,297,110)	(14,292,560)	(17,048,315)	
4/30/2025		($5,682,772)	246	365	(3,830,032)	(18,122,593)	(22,731,087)	
5/31/2025		($5,682,772)	215	365	(3,347,386)	(21,469,979)	(28,413,859)	
6/30/2025		($5,682,772)	185	365	(2,880,309)	(24,350,288)	(34,096,631)	
7/31/2025		($5,682,772)	154	365	(2,397,663)	(26,747,950)	(39,779,402)	
8/31/2025		($5,682,772)	123	365	(1,915,016)	(28,662,967)	(45,462,174)	
9/30/2025		($5,682,772)	93	365	(1,447,939)	(30,110,906)	(51,144,946)	
10/31/2025		($5,682,772)	62	365	(965,293)	(31,076,199)	(56,827,718)	
11/30/2025		($5,682,772)	32	365	(498,216)	(31,574,414)	(62,510,490)	
12/31/2025		($5,682,772)	1	365	(15,569)	(31,589,983)	(68,193,261)	
Total		$ (68,193,261)			$ (31,589,983)	$ (273,208,984)	$ (443,256,199)	
					Months	13	13	
					13 Month Average	(21,016,076)	(34,096,631)	13,080,555

For the purpose of determining the maximum amount of Accumulated Deferred Income Taxes to be excluded from the rate base, or to be included as no-cost capital, Treasury Regulation 1.167(l)-1 requires the ADIT balance at the beginning of the future test period be adjusted by the pro rata portion of any projected monthly increase or decrease charged to this reserve. Per certain Private Letter Rulings, the pro ration begins in the month of the test year that the new rates are expected to take effect. The rulings also set forth a model for calculation of the adjustment. Failure to follow the normalization requirements under IRC section 167(l) for public utility property may result in the forfeiture of accelerated depreciation tax deductions.

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