



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

May 23, 2024

VIA ELECTRONIC FILING

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

In re: Petition for Rate Increase by Tampa Electric Company	DOCKET NO. 20240026-EI
In re: Petition for approval of 2023 Depreciation and Dismantlement Study, by Tampa Electric Company	DOCKET NO. 20230139-EI
In re: Petition to implement 2024 Generation Base Rate Adjustment provisions in Paragraph 4 of the 2021 Stipulation and Settlement Agreement, by Tampa Electric Company	DOCKET NO. 20230090-EI

Dear Mr. Teitzman:

Enclosed for filing in the above docket on behalf of Tampa Electric Company are replacement pages 41 and 42 for the direct testimony of Jeff Chronister Volume II.

Thank you for your assistance in connection with this matter.

Sincerely,

A handwritten signature in blue ink that reads 'V. Ponder'.

Virginia Ponder

VLP/ne
Attachment

cc: All parties of record (w/enc.)



**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
JEFF CHRONISTER
VOLUME II**

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OF
JEFF CHRONISTER
VOLUME II

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **PREPARED DIRECT TESTIMONY**

3 **OF**

4 **JEFF CHRONISTER**

5 **VOLUME II**

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

8
9 **A.** My name is Jeff Chronister. My business address is 702
10 North Franklin Street, Tampa, Florida 33602. I am employed
11 by Tampa Electric Company ("Tampa Electric" or the
12 "company") as Vice President Finance.

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

16
17 **A.** I am responsible for maintaining the financial books and
18 records of the company and for the determination and
19 implementation of accounting policies and practices for
20 Tampa Electric. I am also responsible for budgeting
21 activities within the company, which includes business
22 planning and financial planning & analysis, as well as
23 general accounting, regulatory accounting, plant
24 accounting, tax accounting, financial reporting, accounts
25 payable and payroll.

1 **Q.** Please summarize your educational background and business
2 experience.

3

4 **A.** I graduated from Stetson University in 1982 with a Bachelor
5 of Business Administration degree in Accounting. I became
6 a Certified Public Accountant in the State of Florida in
7 1983. Upon graduation I joined Coopers & Lybrand, an
8 independent public accounting firm, where I worked for four
9 years before joining the company in 1986. I started in
10 Tampa Electric's Accounting department, moved to TECO
11 Energy's Internal Audit department in 1987, and returned
12 to the Accounting department in 1991. I have led Tampa
13 Electric's Accounting department since 2003, and I led the
14 Peoples Gas Accounting department from 2009 to 2018. I
15 became Vice President Finance for Tampa Electric in 2018.

16

17 For the last six years, I have been responsible for
18 treasury and finance functions, including short-term and
19 long-term debt, cash management and debt compliance. In
20 addition, my team works with Emera financial personnel on
21 debt issuances, and preparation of financial information
22 and communications for credit rating agencies and
23 investment analysts.

24

25 **Q.** Have you previously testified before the Florida Public

1 Service Commission ("FPSC" or the "Commission")?
2

3 **A.** Yes. I have testified or filed testimony before this
4 Commission in several dockets.

5
6 I testified for Tampa Electric in Docket No. 20210034-EI,
7 which was Tampa Electric's last base rate proceeding.

8
9 I filed testimony in the following dockets:

10 (1) Docket No. 20130040-EI, Tampa Electric Company's
11 Petition for An Increase in Base Rates and
12 Miscellaneous Service Charges;

13 (2) Docket No. 20080317-EI, Tampa Electric Company's
14 Petition for An Increase in Base Rates and
15 Miscellaneous Service Charges;

16 (3) Docket No. 19960007-EI, Tampa Electric's
17 Environmental Cost Recovery Clause;

18 (4) Docket No. 19960688-EI, Tampa Electric's
19 environmental compliance activities for purposes of
20 cost recovery;

21 (5) Docket No. 20170271-EI, Petition for recovery of costs
22 associated with named tropical systems during the
23 2015, 2016, and 2017 hurricane seasons and
24 replenishment of storm reserve subject to final true-
25 up; and

1 (6) Docket No. 20200144-EI, Petition for Limited
2 Proceeding to True-Up First and Second SoBRA by Tampa
3 Electric Company.
4

5 I also served on a panel of witnesses during the final
6 hearing in Docket No. 20200065-EI, which addressed the
7 company's amortization reserve for intangible software
8 assets.
9

10 **Q.** What are the purposes of Volume II of your direct
11 testimony?
12

13 **A.** The purposes of Volume II of my direct testimony are to
14 describe the company's 2025 test year; explain our 2025
15 budget and the process we used to develop it; present our
16 proposed 2025 rate base, net operating income, and revenue
17 requirement increase; explain how the company accounts for
18 affiliated transactions; and present the revenue
19 requirement calculations for the company's proposed 2026
20 and 2027 Subsequent Year Adjustments ("SYA").
21

22 **Q.** Have you prepared an exhibit to support Volume II of your
23 direct testimony?
24

25 **A.** Yes, Exhibit JC-2, entitled the "Exhibit of Jeff Chronister

1 2", was prepared under my direction and supervision. The
2 contents of my exhibit were derived from the business
3 records of the company and are true and correct to the best
4 of my information and belief. It consists of five
5 documents, as follows:

6
7 Document No. 1 List of Minimum Filing Requirement
8 Schedules Sponsored or Co-Sponsored by
9 Jeff Chronister

10 Document No. 2 2019-2025 Budgeted Versus Actual
11 Jurisdictional Adjusted Rate Base

12 Document No. 3 2022-2025 Total Company Capital
13 Investments

14 Document No. 4 2022-2025 Total O&M Expense

15 Document No. 5 2026 and 2027 Subsequent Year
16 Adjustment (SYA) Details

17
18 **Q.** Do you sponsor any sections of Tampa Electric's Minimum
19 Filing Requirement ("MFR") Schedules?

20
21 **A.** Yes. I sponsor or co-sponsor the MFR Schedules listed in
22 Document No. 1 of my exhibit. The contents of these MFR
23 Schedules were derived from the business records of the
24 company and are true and correct to the best of my
25 information and belief.

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

3

4 A. Volume II of my direct testimony explains the budget process
5 and why using a projected 2025 test year is appropriate in
6 this case.

7

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

12

13 Volume II of my direct testimony also presents the company's
14 overall 2025 revenue requirement calculation. Other
15 witnesses discuss specific parts of our revenue
16 requirement. For example, Tampa Electric witness Ned Allis
17 discusses our depreciation study and supports our requested
18 level of depreciation expense and capital recovery
19 amortization in the test year. Tampa Electric witness Dylan
20 D'Ascendis presents the company's proposed return on
21 equity. Other witnesses address specific components of our
22 rate base, show that our proposed plant additions are
23 reasonable and prudent, and demonstrate that our operations
24 and maintenance ("O&M") expenses are reasonable. Tampa
25 Electric witness Valerie Strickland presents the company's

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income tax expense calculation and proposed parent debt adjustment.

My direct testimony filed on April 2, 2024 (hereinafter "Original Prepared Direct Testimony"), 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.

Q. Other than describing your background, explaining the purposes of Volume II of your direct testimony, and explaining how Volume II relates to other direct testimony filed in this case, is the remainder of your testimony the same as that set forth in the Direct Testimony of Richard Latta that was filed in this proceeding on April 2, 2024?

A. Yes, except for one set of changes. Mr Latta's original testimony referred to "Mr. Chronister's testimony" in several places. I changed these references to refer to my Original Prepared Direct Testimony.

1 **(1) 2025 TEST YEAR**

2 **Q.** What test year has the company used to prepare its MFR and
3 2025 rate increase request?

4
5 **A.** The company's test year for its proposed 2025 increase is
6 the calendar year ending December 31, 2025.

7
8 **Q.** Should the Commission approve the company's proposed 2025
9 test year for ratemaking purposes in this case?

10
11 **A.** Yes. The company's proposed test period of the twelve months
12 ending December 31, 2025 is appropriate because (1) 2025 is
13 the first year the company's proposed rates are proposed to
14 be in effect and (2) the company's financial budget for
15 that period is representative of Tampa Electric's projected
16 revenues and projected costs of service, capital structure,
17 and rate base needed to provide safe, reliable, and cost-
18 effective electric service to its customers in 2025. The
19 company's budgeting process is reliable and the resulting
20 2025 budgets are more representative of the company's
21 operations when its proposed rates will be in effect than
22 a historical test year.

23
24 **Q.** What does the company project its 2025 earned return on
25 equity to be without the 2025 rate increase requested in
26 this case?

1 **A.** Without our 2025 requested rate increase, the company's
2 projected earned return on equity ("ROE") for 2025 is
3 expected to be 6.70 percent, which is far below the fair
4 and reasonable range of equity returns supported in the
5 direct testimony of Mr. D'Ascendis.

6
7 The company has invested in infrastructure that provides
8 value to customers and fulfills our obligation to provide
9 reliable and resilient utility service; however, revenue
10 growth has not kept pace with the growth of our rate base
11 assets, causing our projected ROE in 2025 to fall below the
12 level needed to maintain Tampa Electric's financial
13 integrity. The company's need to maintain financial
14 integrity is discussed further in my Original Prepared
15 Direct Testimony filed on April 2, 2024.

16
17 **Q.** When does the company propose that its new 2025 base rates
18 and charges become effective?

19
20 **A.** Tampa Electric proposes that its new 2025 base rates and
21 charges become effective for the first billing cycle in
22 January 2025. We also propose that the Commission approve
23 two SYA to recover the costs associated with certain
24 projects to be effective with the first billing cycles in
25 2026 and 2027. I discuss these SYA in the last section of

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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

1 Institute of Certified Public Accountants guidelines for
2 preparing prospective financial information. The company's
3 budgeting process conforms with all of the guidelines,
4 including those related to quality, consistency,
5 documentation, the use of appropriate accounting principles
6 and assumptions, the adequacy of review and approval, and
7 the regular comparison of financial forecasts with attained
8 results.

9
10 **Q.** Was the budgeting process for 2025 different than the
11 budgeting process used in Tampa Electric's last rate case?
12

13 **A.** No. Although the technology the company uses to prepare
14 budgets has evolved over time, we have not changed the
15 basic process we used to build our budgets. We based our
16 2025 budget on expected operating conditions. We relied
17 on the experience and expertise of the company's operating
18 teams. Our front-line operating personnel and members of
19 management collaborated to forecast projects and
20 activities, and their corresponding costs. Our 2025
21 budget is consistent with and reflects our long-term
22 planning, prioritizes our resource needs, and reflects
23 operating efficiencies where available. Our operating
24 personnel also forecasted the level of 2025 other
25 operating revenues that reduces the overall 2025 revenue

1 requirement.

2

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

6

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

11

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

14

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

24

25 **Q.** What basic documents does the company's budget process

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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

1 of which will be utilized to serve our customers in 2025.
2 Capital structure supports our rate base investments using
3 debt, equity and other sources.
4

5 Our budgeted 2025 income statement is the foundation for
6 our calculation of budgeted 2025 net operating income. It
7 begins with our revenue budget and reflects the major
8 expense elements that are recoverable through base rates.
9

10 With the exception of O&M for fuel and purchase power
11 expenses, which are predominantly recovered through the
12 fuel and purchased power and capacity cost recovery
13 clauses, which are not a subject in this proceeding, the
14 largest cost component of the 2025 budgeted net operating
15 income is depreciation expense, which is calculated based
16 on projected plant balances and applicable depreciation
17 rates. Other O&M expense, taxes other than income and income
18 tax expenses are also major portions of our net operating
19 income. Our budgeted 2025 income statement reflects our
20 generation planned outage schedule, our clause budgets and
21 our revenue budget for the test year.
22

23 **Q.** How did the company develop its 2025 revenue budget?
24

25 **A.** The company prepared the revenue budget by applying its

1 current tariff rates to electricity sales reflected in the
2 Customer, Demand, and Energy forecasts by customer rate
3 class. The company prepared detailed revenue projections by
4 month using present rates and included the monthly data in
5 the income statement.

6
7 **Q.** Please discuss the Customer, Demand, and Energy forecasts
8 used to develop the company's revenue budget.

9
10 **A.** The Load Research and Forecasting section of the company's
11 Regulatory Affairs department produced the 2025 Customer,
12 Demand, and Energy forecasts, which reflects customer
13 growth projections as well as load and consumption
14 projections. Ms. Cifuentes is responsible for this function
15 and discusses key assumptions used to develop the forecasts
16 in more detail in her direct testimony. Tampa Electric
17 witness Jordan Williams applies the present rates to the
18 results of the Customer, Demand, and Energy forecast to
19 develop the revenues from the sales of electricity.

20
21 **Q.** Is the company's 2025 budgeted revenue from the sales of
22 electricity by rate class at present rates appropriate?

23
24 **A.** Yes. The Commission should approve \$1,480,725,000 as the
25 company's 2025 revenues from the sale of electricity. This

1 amount is shown on MFR Schedule C-1.

2

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

5

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

14

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

17

18 **A.** Based on forecasted demand and energy, Tampa Electric
19 determined the required capital investment necessary to
20 serve the load reliably as well as the O&M needed to provide
21 the quality of service customers expect. The company
22 considered factors such as environmental and regulatory
23 compliance, reserve requirements, and other items such as
24 load location, changes in equipment and technology, and
25 changes in required skill sets. These other items are

1 discussed by Tampa Electric witnesses Carlos Aldazabal,
2 Kris Stryker, Chip Whitworth, Karen Sparkman, David Lukcic,
3 Chris Heck, and Marian Cacciatore in greater detail. After
4 determining the projects and activities needed to improve
5 the efficiency, sufficiency, and adequacy of the company's
6 facilities, and to provide, safe, reliable, and resilient
7 service to our customers, we estimated associated costs
8 based on the resources to be used and the price of those
9 resources.

10
11 The company used different tools to determine the costs of
12 the resources needed based on the type of resource. For
13 example, as described in the direct testimony of Ms.
14 Cacciatore, the compensation amounts reflected in our 2025
15 budget were set based on expected job market conditions and
16 market assessment and comparison tools.

17
18 **Q.** How did the company develop its detailed O&M and capital
19 budgets?

20
21 **A.** Each operating department within the company developed
22 detailed budgets for O&M and capital by month. Operating
23 departments distinguished between O&M and capital based on
24 the nature of the activity involved and our accounting
25 policies and practices. Each operating department weighed

1 options regarding how to perform O&M and capital work in
2 the most cost-effective manner, and then submitted a
3 detailed operating budget to the Finance department.

4
5 The Finance department combined all of these budgets and
6 data to produce a total projected amount of O&M and capital
7 expenditures for the company. The activities and projects
8 that are necessary to provide safe and reliable service to
9 customers were planned by the departments that perform
10 them, and the costs were developed using consistent
11 assumptions. The officers of the company examined the
12 budgets for reasonableness and consistency with our overall
13 corporate objectives and initiatives. Finally, the budget
14 was approved by the Board of Directors.

15
16 **Q.** What non-labor trend factors should be used for inflation
17 for the 2025 projected test years?

18
19 **A.** Non-labor O&M was held constant at 2023 levels except for
20 some specific needs such as timing of planned outages,
21 expanded solar operations, digitalization of the customer
22 experience, cyber security costs and some contractor costs
23 in the distribution function to support customer growth.

24
25 **Q.** Has Tampa Electric's budgeting process proven reliable in

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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.

1 **(3) 2025 RATE BASE**

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

6
7 **A.** Yes. The company's projected 13-month average rate base
8 amount for the 2025 test year is \$9.8 billion as shown on
9 MFR Schedule B-1. This projected rate base reflects
10 appropriate amounts of net plant-in-service and working
11 capital budgeted in the company's budgeted balance sheet.
12 Tampa Electric projects the amount of rate base in the
13 2025 test year that is needed for reasonable, prudent
14 investments and spending on assets that are used and
15 useful in providing reliable electric service to our
16 customers. My Original Prepared Direct Testimony and the
17 testimony of Tampa Electric witnesses Whitworth, Stryker,
18 Aldazabal, Lukcic, Heck, Sparkman, and Aponte address
19 specific portions of our rate base growth in their direct
20 testimony and explain why our rate base amounts for the
21 2025 test year are reasonable. Our Jurisdictional
22 Adjusted Rate Base reflects reasonable amounts for
23 adjustments previously approved by the Commission, and
24 should be approved.

25
26 **Q.** How much capital did the company invest during the three-

1 year term of the 2021 Agreement from 2022 through 2024?

2
3 **A.** From 2022 to 2024, the company expects to invest
4 approximately \$3.7 billion in capital projects to serve
5 new customers; improve reliability, resilience, and
6 efficiency; and ensure that our existing plant
7 investments remain in sound working condition.

8
9 Approximately \$2.2 billion of these investments are base
10 rate projects that earn Allowance for Funds Used During
11 Construction ("AFUDC"), projects for which cost recovery
12 occurs through a cost recovery clause ("Clause
13 projects"), and non-utility projects which are not
14 included for recovery in this proceeding.

15
16 The remaining approximately \$1.5 billion of capital
17 expenditures for 2022 to 2024 are explained in the direct
18 testimony of Mr. Aldazabal, Mr. Stryker, Mr. Whitworth,
19 Mr. Lukcic, Ms. Sparkman, and Mr. Heck for their areas of
20 responsibility.

21
22 My testimony addresses the portion of 2022 to 2024 capital
23 expenditures that are considered "corporate."

24
25 Document No. 3 of my exhibit reflects (1) total company

1 capital spending, (2) AFUDC and Clause capital spending,
2 and (3) the net "base rate" capital spending by witness
3 for 2022 to 2024 in total and by year.
4

5 **Q.** How much capital in other corporate investments will the
6 company invest from 2022 through 2024?
7

8 **A.** The company expects to invest approximately \$37.2 million
9 in general corporate projects during that period. About
10 half of that amount is attributable to capital projects
11 needed to maintain buildings, such as roofing, flooring
12 and air condition replacements. We expect to spend about
13 a quarter of that amount on safety items such as an access
14 control system replacement and physical safety
15 enhancements at critical locations like our power plants.
16 Roughly a quarter is for upgrades and enhancements to our
17 financial and resource systems, which support our human
18 resource, supply chain and finance functions. The
19 upgrades are needed to keep the systems current and
20 operational and will also improve the functionality and
21 efficiency of the systems.
22

23 **Q.** How much total capital does the company expect to invest
24 in 2025?
25

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

9
10 **Q.** What major Other Corporate projects are planned for 2025?

11
12 **A.** In 2025, we plan to spend approximately \$17.5 million on
13 Other Corporate projects. Approximately half of this
14 amount will be facility-related investments like a
15 building controls system upgrade and an underground tank
16 replacement at the Ybor Data Center to fuel the emergency
17 generator.

18
19 We will continue to invest in safety with projects like
20 gate installations/replacements, thermal system
21 implementation, and NERC substation security to protect
22 critical assets. We will also be upgrading our PowerPlan
23 system, which is part of our financial and resource
24 systems, is used to account for approximately \$15.0
25 billion of plant in service, and provides critical support

1 for tax and regulatory compliance.

2
3 **Q.** Did the company make any accounting policy changes since
4 the company's last rate proceeding that will affect rate
5 base amounts?

6
7 **A.** No. Although there have been no major changes to generally
8 accepted accounting principles ("GAAP") and no material
9 accounting policy changes that affected Tampa Electric
10 since 2021, it should be noted that we updated our
11 regulatory accounting to reflect the addition of the Clean
12 Energy Transition Mechanism ("CETM"). My Original
13 Prepared Direct Testimony discusses how the CETM has
14 impacted the company's financial profile and financial
15 statement presentations.

16
17 PLANT IN SERVICE

18 **Q.** What level of plant in service should be approved for the
19 2025 test year?

20
21 **A.** The Commission should approve Jurisdictional Adjusted
22 Plant in Service totaling \$13.4 billion, shown on MFR
23 Schedule B-1. This balance includes the capital additions
24 since our last rate proceeding discussed in the testimony
25 of other witnesses and the budgeted amount of electric

1 plant-in-service that will be used and useful to provide
2 service to our customers in 2025.

3
4 ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION

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

7
8 **A.** The Commission should approve Jurisdictional Adjusted
9 Accumulated Depreciation and Amortization totaling \$4.0
10 billion as shown on MFR Schedule B-1. These balances
11 include the impacts of the company's actual and projected
12 plant balances and the company's proposed depreciation
13 rates discussed in the testimony of Mr. Allis.

14
15 CONSTRUCTION WORK IN PROGRESS

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

18
19 **A.** The Commission should approve Jurisdictional Adjusted
20 CWIP totaling \$230.2 million as shown on MFR Schedule B-
21 1. This amount reflects the results of the company's
22 budgeting process described above and is a reasonable and
23 prudent amount of CWIP for the test year.

24
25 WORKING CAPITAL ALLOWANCE

1 **Q.** What level of working capital should be approved for the
2 2025 test year?

3
4 **A.** The Commission should approve the Jurisdictional Adjusted
5 Working Capital Allowance totaling \$86.7 million as shown
6 on MFR Schedule B-1. This amount was calculated using the
7 results of the company's budgeting process and the
8 Commission-approved balance sheet method for working
9 capital. The amount reflects a reasonable amount of
10 working capital to support the company's operations in
11 2025.

12 ADJUSTMENTS

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

15
16 **A.** The FPSC adjustments to rate base, as shown in MFR
17 Schedules B-1, B-2, B-6, and B-17, reflect Commission
18 directives, policies, and decisions from previous rate
19 proceedings. These adjustments include: (1) removing the
20 effect of items recoverable through the cost recovery
21 clauses from net plant-in-service, (2) removing balances
22 that earn AFUDC from CWIP, (3) removing the effect of
23 items for which a return is provided elsewhere from
24 working capital, such as regulatory assets for clause-
25 related under-recovery balances, (4) removing from net

1 plant-in-service and working capital the right-of-use
2 assets and liabilities for lease obligations, and (5)
3 removing the effect of items that have been deemed non-
4 utility or non-recoverable through retail base rates from
5 rate base.

6
7 **Q.** Did the company include AFUDC-eligible CWIP in rate base
8 for the 2025 test year?

9
10 **A.** No.

11
12 **Q.** Did the company adjust coal fuel inventory per books to
13 reflect the 13-month average of 60-day maximum coal burn
14 standard approved in the company's last rate case?

15
16 **A.** No, because the projected coal inventory is below that
17 maximum.

18
19 **Q.** Did the company adjust oil fuel inventory per books to
20 reflect the maximum oil inventory approved in the
21 company's last rate case?

22
23 **A.** Yes. The company made a \$188,876 adjustment for this as
24 shown on MFR Schedule B-2.

25

1 **Q.** What level of fuel inventory should be approved for the
2 2025 test year?

3
4 **A.** The Commission should approve Fuel Inventory totaling
5 \$36.6 million as shown on MFR Schedule B-17. The amount
6 was calculated using a reasonable and prudent projection
7 process that forecasts load, generation and corresponding
8 fuel consumption, and associated fuel purchases. The
9 amount of coal fuel inventory is below the 60-day maximum
10 burn threshold approved by the Commission. The amount of
11 oil fuel inventory is at the approved level. This fuel
12 inventory level is reasonable because it is within the
13 approved thresholds and reflects the fuel inventory
14 necessary to support the company's operations in 2025.

15
16 **Q.** Has Tampa Electric made the proper adjustments to the
17 working capital allowance to reflect the under recoveries
18 and over recoveries related to cost recovery clauses in
19 the 2025 test year?

20
21 **A.** Yes.

22
23 **Q.** What level of unamortized rate case expense should be
24 included in working capital for the 2025 test year?

25

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

4
5 **Q.** Has the company made the proper adjustments to remove all
6 non-utility activities from its 2025 test year Plant-in-
7 Service, Accumulated Depreciation, and Working Capital
8 balances?

9
10 **A.** Yes.

11
12 **Q.** Should any new adjustments be made to the amounts included
13 in the 2025 test year for acquisition adjustments and
14 accumulated amortization of acquisition adjustments?

15
16 **A.** No.

17
18 TOTAL 2025 RATE BASE

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

23
24 **A.** The Commission should approve the projected 13-month
25 average rate base for 2025 of \$9.8 billion as shown on

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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 my Original Prepared Direct Testimony address specific portions of our net operating income 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.

1 **Q.** Does the company have any non-utility operations that use
2 all or part of any utility plant, that are not included
3 in MFR Schedule C-32?
4

5 **A.** No.
6

7 TOTAL OPERATING REVENUES

8 **Q.** What annual operating revenue increase should be approved
9 based on the 2025 projected test year?
10

11 **A.** The Commission should approve annual Total Operating
12 Revenues increase in the amount of \$296.6 million as shown
13 on MFR Schedule A-1.
14

15 OPERATIONS & MAINTENANCE (O&M)

16 **Q.** How are the relevant proposed 2025 O&M amounts discussed
17 below reflected in the company's MFR Schedules and your
18 exhibit?
19

20 **A.** MFR Schedule C-1 (column 8) reflect Jurisdictional
21 Adjusted Other O&M Expense of \$391.8 million and
22 Jurisdictional Adjusted Fuel Expense of \$0.6 million, and
23 total \$392.4 million. Prior to Jurisdictional Separation,
24 this amount is \$394.1 million and is shown in the O&M
25 Benchmark Comparison By Function on MFR Schedule C-37.

1 Document No. 4 of my exhibit shows the portions of the
2 total \$394.1 million attributable to the other witnesses
3 in this case.
4

5 OTHER O&M EXPENSE

6 **Q.** What level of Other O&M expense should be approved for
7 the 2025 test year?
8

9 **A.** The Commission should approve Jurisdictional Adjusted
10 Other O&M Expense of \$391.8 million as shown on MFR
11 Schedule C-1. This amount is reasonable as discussed
12 further in my testimony and in my Original Prepared Direct
13 Testimony and the testimonies of Tampa Electric witnesses
14 Aldazabal, Stryker, Whitworth, Lukcic, Sparkman, Heck,
15 Cacciatore, Allis, and Strickland.
16

17 **Q.** Please discuss O&M spending through recent years.
18

19 **A.** Document No. 4 of my exhibit shows the breakdown of test
20 year O&M expenses by witness over time. Although we are
21 spending more each year to operate and maintain our
22 growing system, our cumulative annual O&M expense growth
23 rate over the past 10 years is only one half of one
24 percent, which is well below customer growth and
25 inflation. The company's 2025 O&M expense by operational

1 area are explained in the direct testimony of Mr.
2 Aldazabal, Mr. Whitworth, Ms. Sparkman, Ms. Cacciatore
3 and Mr. Heck for their areas of responsibility. I will
4 cover the remainder ("Corporate Administrative &
5 General"). My Original Prepared Direct Testimony also
6 discusses O&M over time.
7

8 **Q.** How do these spending levels compare with what would be
9 expected using escalation factors as calculated in the
10 Commission's benchmark?
11

12 **A.** The \$394.1 million amount for 2025 is well below the
13 Commission's expected benchmark calculation of \$466.0
14 million, which is shown on MFR Schedule C-37.
15

16 **Q.** What is the total amount of FPSC Adjusted O&M expense for
17 administrative and general expenses in 2025?
18

19 **A.** MFR Schedule C-37 shows the total budgeted amount in 2025
20 is approximately \$158.0 million. This amount reflects the
21 administrative and general costs necessary to support the
22 operations of the company in the test year, is reasonable,
23 and should be approved.
24

25 **Q.** How do these administrative and general spending levels

1 compare with what would be expected using escalation
2 factors as calculated in the Commission's benchmark?

3

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

7

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

10

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

14

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

17

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

21

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

25

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

14
15 **Q.** Please describe the challenges the company has
16 experienced in property and liability insurance markets.

17
18 **A.** The company's insurance costs have gone up significantly
19 in the past few years due to premium rate increases and
20 having a larger base of assets to insure. Insurance
21 premiums are a function of the losses incurred by carriers
22 and the market returns carriers can earn on the premium
23 dollars available for them to invest. Although public
24 policy makers in Florida have recently enacted changes to
25 moderate insurance premium increases, Tampa Electric,

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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?

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

3

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

7

8 **A.** Yes.

9

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

14

15 **A.** Yes.

16

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

19

20 **A.** The Commission should approve \$446,502 of economic
21 development expenses for the 2025 projected test year.
22 Section 25-6.0426, Florida Administrative Code, governs how
23 Tampa Electric reports economic development expenses for
24 surveillance reporting purposes. Subsection (3) of that
25 rule limits the amount of economic development expense that

1 can be recognized for earnings surveillance reporting
2 purposes. Subsection (4) of that rule specifies that the
3 Commission will determine the level of sharing or prudent
4 economic development costs and the future treatment of
5 those costs for surveillance reporting purposes. The
6 company removed \$23,000 to comply with this rule as shown
7 on MFR Schedule C-2.

8
9 **Q.** What amount of annual storm damage accrual should be
10 approved for the 2025 test year?

11
12 **A.** Zero. The company has not included a storm damage accrual
13 in its calculation of net operating income for the 2025
14 test year. Rather, as discussed in my Original Prepared
15 Direct Testimony, the company proposes to extend the storm
16 cost recovery provision in its 2021 Agreement.

17
18 **Q.** Is the company proposing to change its reserve target for
19 account 228.1 (reserve for storm damages) or to implement
20 an annual storm damage expense accrual in this case?

21
22 **A.** No. The current reserve target is \$55,860,642 as approved
23 in Order No. PSC-2021-0423-S-EI on November 10, 2021, in
24 Docket No. 20210034-EI. The company is not proposing to
25 change this amount. The last storm damage study was filed

1 in Docket 20210031-EI and Tampa Electric is not due to
2 file another Storm Damage Study until 2026, so the company
3 has not filed an updated Storm Damage Study in this
4 proceeding. Our projected reserve balance as of 2025 is
5 \$17.8 million as reflected on MFR Schedule B-3 and is
6 less than the reserve target due to the level of storm
7 activity in 2023. The company intends to use storm
8 surcharges to replenish the reserve once depleted.

9
10 **Q.** What amount of rate case expense should be approved in
11 this proceeding?

12
13 **A.** The Commission should approve rate case expense of \$2.0
14 million and a three-year amortization period. The company
15 has included approximately \$682,537 of rate case expense
16 in its calculation of net operating income for 2025. This
17 amount is reasonable in light of the size of Tampa
18 Electric, the increases requested in this case, the level
19 of discovery activity we expect, and the complexity of
20 the issues in the case.

21
22 **Q.** Does the company's proposed level of O&M expense for the
23 projected 2025 test year include any amounts related to
24 potential merger and acquisition activities by Tampa
25 Electric or any of its affiliates?

1 **A.** No.

2

3 FUEL EXPENSE

4 **Q.** What level of Fuel expense should be approved for the
5 2025 test year?

6

7 **A.** The Commission should approve Jurisdictional Adjusted
8 Fuel expense of \$0.6 million as shown on MFR Schedule C-
9 1. Most fuel expense (\$685.5 million) is recovered through
10 the fuel and purchased power and capacity cost recovery
11 clauses and is adjusted on MFR Schedule C-1. The remaining
12 \$0.6 million is related to costs to oversee and operate
13 fuel activities, such as supervising and handling of fuel,
14 which are not recoverable through the fuel and purchased
15 power clause.

16

17 DEPRECIATION AND AMORTIZATION

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

20

21 **A.** The Commission should approve Jurisdictional Adjusted
22 Depreciation and Amortization expense in the amount of
23 \$531.4 million as shown on MFR Schedule C-1. This amount
24 was calculated using the company's projected plant
25 balances and the rates proposed in Tampa Electric's 2023

1 Depreciation Study submitted on December 27, 2023, in
2 Docket No. 20230139-EI.

3
4 Mr. Allis describes the company's proposed depreciation
5 rates and study in detail; the Tampa Electric witness
6 Jeff Kopp supports and explains the dismantlement study
7 the company commissioned for inclusion in the 2023
8 Depreciation Study. My Original Prepared Direct Testimony
9 also discusses depreciation expense.

10
11 **Q.** What depreciation period study date should be used to
12 calculate depreciation expense for the 2025 projected
13 test year?

14
15 **A.** The projected ending plant balances as of December 31,
16 2024, from the depreciation study that was filed on
17 December 27, 2023, should be used.

18
19 **Q.** What should be the implementation date for the revised
20 depreciate rates and amortization schedules proposed by
21 the company in this case?

22
23
24
25

1 **A.** The Commission should approve an implementation date of
2 January 2025 for the company's proposed, revised
3 depreciation rates, and amortization schedules. This
4 effective date matches our proposed effective date for
5 our proposed new 2025 customer rates.

6
7 TAXES OTHER THAN INCOME

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

10

11 **A.** The Commission should approve Jurisdictional Adjusted
12 Taxes Other than Income ("TOTI") expense of \$101.6 million
13 as shown on MFR Schedule C-1. This amount is reasonable
14 as it was forecasted using prudent estimates of property
15 values and assessments for ad valorem tax purposes. My
16 Original Prepared Direct Testimony discusses TOTI
17 further.

18

19 INCOME TAXES

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

22

23 **A.** The Commission should approve Jurisdictional Adjusted
24 Income Tax expense (benefit) totaling (\$8.3 million) as

25

1 shown on MFR Schedule C-1. Ms. Strickland describes the
2 company's income tax expense and explains why this amount
3 is reasonable in her testimony.
4

5 **Q.** Please explain the income tax true up for interest
6 synchronization.
7

8 **A.** After adjustments described earlier in my testimony were
9 made to rate base, we adjusted 2025 Income Tax expense to
10 reflect the appropriate amount of interest expense based
11 on the amount and cost of debt in the capital structure
12 that was synchronized to the rate base. This adjustment,
13 as shown on MFR Schedule C-3, was done in accordance with
14 the Commission's practice, and should be approved.
15

16 **Q.** Did the company make a parent debt adjustment as
17 contemplated in Rule 25-14.004, Florida Administrative
18 Code?
19

20 **A.** Yes. The company's proposed adjustment is discussed
21 further by Ms. Strickland in her testimony.
22

23 GAIN/LOSS ON DISPOSAL OF PLANT

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

1 service?

2
3 **A.** No. The company does not expect to recognize any new gains
4 or losses on the disposition of plant and property
5 previously used to provide electric service in 2024 or
6 2025. The amortization of prior gains will be completed
7 by August 2024, so the company did not include any amount
8 for amortization of gain or loss on disposal of plant in
9 its calculation of 2025 net operating income.

10
11 ADJUSTMENTS

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

15
16 **A.** The FPSC adjustments to net operating income, as shown in
17 MFR Schedules C-1, C-2, C-3, C-4, and C-5 reflect
18 Commission directives, policies, and decisions from
19 previous rate proceedings. These adjustments include: (1)
20 removing the revenues and expenses which are recoverable
21 through the cost recovery clauses and mechanisms, (2)
22 removing franchise fee revenues and expenses, (3)
23 removing gross receipts tax revenues and expenses, (4)
24 the income tax true-up for interest synchronization, (5)
25 a parent debt adjustment, and (6) removing expenses that

1 have been deemed non-utility or non-recoverable through
2 retail base rates. Examples of these items include
3 stockholder relations expenses and a portion of industry
4 association dues.

5
6 **Q.** Based on the foregoing, and based on these adjustments,
7 what amount of Total Operating Expenses should be approved
8 for the 2025 test year?

9
10 **A.** The Commission should approve Jurisdictional Adjusted
11 Total Operating Expenses of \$1.0 billion as shown on MFR
12 Schedule C-4.

13
14 NET OPERATING INCOME

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

18
19 **A.** The Commission should approve Jurisdictional Adjusted Net
20 Operating Income of \$501.4 million as shown on MFR
21 Schedule C-1.

22
23 **(5) 2025 REVENUE REQUIREMENT**

24 **Q.** How did the company calculate the amount of the revenue
25 requirement increase it is requesting for 2025 in this

1 case?

2

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

7

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

13

14 We based our 2025 System Per Books net operating income,
15 13-month average rate base, and capital structure
16 calculations, as reflected in our MFR Schedules, on Tampa
17 Electric's 2025 budgeted Income Statement, Balance Sheet,
18 and Statement of Cash Flows.

19

20 We then made regulatory adjustments to the system per
21 books amounts for net operating income, rate base, and
22 capital structure. These regulatory adjustments can
23 include two types: (1) those that are necessary to comply
24 with Commission directives, policies, and decisions
25 ("FPSC adjustments") and (2) any applicable adjustments

1 that are necessary to produce a test year that is
2 indicative of ongoing revenue and expenditure levels
3 ("company pro forma adjustments"). These adjustments are
4 discussed in detail in the Rate Base and Net Operating
5 income sections above. We then applied the jurisdictional
6 separation factors, supported in the direct testimony of
7 Mr. Williams, to derive the jurisdictional amounts upon
8 which the revenue requirement is calculated.

9
10 The basic calculation is shown on MFR Schedule A-1. We
11 first applied the 7.37 percent required overall cost of
12 capital to the jurisdictional adjusted average rate base
13 of \$9.8 billion, which resulted in a required
14 jurisdictional net operating income of \$722.1 million.
15 Comparing the required jurisdictional net operating
16 income to the jurisdictional net operating income based
17 on the company's 2025 projected test year of \$501.4
18 million without a base rate increase, we calculated the
19 net operating income deficiency for 2025 to be \$220.8
20 million. After grossing this amount up for taxes, we
21 computed our jurisdictional revenue deficiency for 2025
22 to be \$296.6 million.

23
24 **Q.** Please describe the capital structure adjustments made in
25 the revenue requirement calculation.

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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.

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?

1 **A.** The company's proposed revenue expansion factor is
2 0.74424, as shown on MFR Schedule C-44, and was calculated
3 using the regulatory assessment fee of 0.085 percent, a
4 bad debt rate of 0.224 percent, and state and federal
5 income tax rates of 5.5 and 21.0 percent, respectively.
6 The tax rates are discussed in the direct testimony of
7 Ms. Strickland.

8

9 **Q.** What amount of projected test year Write-offs should the
10 Commission approve in the Revenue Expansion Factor?

11

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

17

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

20

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

25

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

3

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

6

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

9

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

16

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

24

25 In 2022, the company performed an A&G Capitalization study

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

6
7 **Q.** Is the amount of A&G expense capitalized in the 2025 test
8 year reasonable?

9
10 **A.** Yes. The 2025 amount is reasonable in light of the overall
11 level of 2025 capital spending and recent changes to the
12 level of the company's capital spending, as well as the
13 level of A&G expense projected for 2025.

14
15 **Q.** What Allowance for Funds Used During Construction
16 ("AFUDC") rate did the company use for projects in 2023,
17 2024, and the projected 2025 test year?

18
19 **A.** The AFUDC rate of 6.07 percent was approved by the
20 Commission in Order No. PSC-2022-0394-PAA-EI, Docket No.
21 20220162-E, effective July 1, 2022. The company used this
22 rate for 2023, 2024, and the projected 2025 test year.

23
24 **Q.** Is the company's 2025 revenue requirement calculation
25 reasonable?

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

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

15
16 **A.** Yes. Tampa Electric does not object to a requirement like
17 this.

18
19 **(6) AFFILIATE TRANSACTIONS**

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

22
23 **A.** The projected affiliate transactions included in the
24 company's 2025 test year reflect the normal products and
25 services exchanged with companies related to Tampa

1 Electric. These items include products and services
2 provided to affiliated companies, as well as products and
3 services provided from affiliated companies to Tampa
4 Electric. Tampa Electric provides services to affiliates
5 and shares the costs with them, referring to them as
6 "shared services". Shared services are provided to many
7 affiliates, but primarily to Peoples Gas System, Inc. and
8 New Mexico Gas Company. Tampa Electric receives services
9 from other affiliates, primarily Emera, Inc.

10
11 **Q.** Can you provide additional details regarding affiliate
12 transactions?

13
14 **A.** Yes. Related party transactions are reflected on MFR
15 Schedule C-30, Transactions with Affiliated Companies, and
16 MFR Schedule C-31, Affiliated Company Relationships -
17 which reflects the diversification pages that will be
18 contained in the 2023 Form 1 submission to the Commission.
19 In addition to the shared services discussed above, Tampa
20 Electric engages in natural gas purchases and sales with
21 Peoples Gas System and Emera Energy Services U.S., Inc.
22 Tampa Electric Company also has an Asset Management
23 Agreement ("AMA") with Emera Energy Services U.S., Inc.
24 for a portion of its natural gas storage capacity.

25

1 Q. Does Tampa Electric adhere to Rule 25-6.1351, Florida
2 Administrative Code ("Affiliated Transactions rule"),
3 when conducting Affiliate Transactions and maintaining a
4 Cost Allocation Manual ("CAM")?
5

6 A. Yes, the company believes it complies with the rule and
7 maintains a CAM. The Affiliated Transaction rule imposes
8 two basic requirements. First, the rule states that a
9 utility must charge an affiliate the higher of fully
10 allocated costs or market price for all non-tariffed
11 services and products purchased by the affiliate from the
12 utility. Second, it states that when a utility purchases
13 services and products from an affiliate and applies the
14 costs to regulated operations, the utility shall apportion
15 to regulated operations the lesser of fully allocated
16 costs or market price. However, these two requirements do
17 not apply to allocation of cost for services between a
18 utility and its parent company or between a utility and
19 its regulated utility affiliates. In Tampa Electric's
20 case, the vast majority of the costs allocated to Tampa
21 Electric from affiliates or allocated to affiliates by
22 Tampa Electric are not subject to the two requirements
23 above.
24

25 Q. How does Tampa Electric determine the costs that it charges

1 affiliated companies?

2

3 **A.** The costs for Tampa Electric shared services are charged
4 to affiliate companies pursuant to our CAM or intercompany
5 service agreements in one of three ways: (1) direct
6 charges, (2) assessed charges, and (3) allocated charges.
7 Direct charges are made when an affiliate is solely
8 receiving the product or service rendered by Tampa
9 Electric. When multiple affiliates receive the same
10 services, the company charges costs either through
11 assessments or an allocation. Assessments are determined
12 and distributed using cost-causative calculations based
13 on certain metrics, such as head count or square footage.
14 Shared costs that cannot be directly charged or assessed
15 are allocated based on a Modified Massachusetts Method,
16 which is a method that utilizes a combination of total
17 operating revenues, total operating assets, and net income
18 as the basis of allocation. This method has been evaluated
19 and deemed reasonable by the Commission in prior company
20 proceedings. This methodology is further described in the
21 company's CAM. The allocation procedures in the CAM and
22 used by other affiliates to allocate costs to Tampa
23 Electric are reasonable.

24

25 **Q.** How do affiliated companies determine the costs that are

1 charged to Tampa Electric?

2

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

14

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

17

18 **A.** No.

19

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

22

23 **A.** Since the company's last rate case, the only major change
24 is the separation of Peoples Gas System from Tampa
25 Electric. Peoples Gas System operated as a division of

1 Tampa Electric Company and was regulated by the Commission
2 as a stand-alone entity. Consistent with how most utility
3 companies are organized, Emera decided in 2022 that it was
4 time to legally separate its Florida electric and natural
5 gas utilities to reflect their different business needs,
6 geographic reach, and regulatory constructs. The natural
7 gas assets, liabilities, and equity of the Peoples Gas
8 System, a division of Tampa Electric Company were
9 therefore transferred as part of a tax-free exchange to a
10 new corporation named Peoples Gas System, Inc.
11 ("Peoples"), effective January 1, 2023 ("2023
12 Transaction").

13
14 **Q.** Has the 2023 Transaction impacted the level of cost
15 allocations to and from Tampa Electric and its affiliates?
16

17 **A.** No. The 2023 Transaction did not materially impact the level
18 of cost allocations to and from Tampa Electric and its
19 affiliates. However, Peoples repaid Tampa Electric its
20 intercompany debt in December 2023, so Peoples no longer
21 pays interest expense to Tampa Electric.
22

23 **Q.** Does the company expect to be involved in any other
24 restructuring activities in 2024?
25

1 **A.** Yes. My Original Prepared Direct Testimony discusses one
2 other corporate restructuring. The company does not expect
3 that change to impact the level of costs charged to Tampa
4 Electric by affiliates or by Tampa Electric to affiliates.

5
6 **Q.** Are the projected affiliate transactions reflected in the
7 2025 test year reasonable?

8
9 **A.** Yes. The affiliated transactions reflected in the test
10 year are reasonable. The services provided to affiliates
11 and from affiliates are documented in agreements between
12 the companies. Cost distributions for services exchanged
13 between affiliates are based on agreed-upon methodologies.
14 Both incoming and outgoing charges are subject to the
15 internal control system for each company. The services
16 provided by affiliates are appropriate and prudently
17 incurred to achieve the most efficient and effective
18 operation of functions that are vital to delivering
19 utility service at a reasonable cost. The charging of
20 costs to affiliates is reasonable and allows Tampa
21 Electric to ensure a streamlined cost profile for
22 functions required to prudently operate the business.

23

24 **(7) 2026 and 2027 SYA**

25 **Q.** How do you expect the company's financial profile and

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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

1 Resilience project; components of the Grid Reliability
2 and Resilience project; and Solar projects at Big Four
3 and Farmland as well as solar projects at Brewster and
4 Wimauma 3. Page 2, Document No. 5 of my exhibit provides
5 further details on these projects, timing of in service
6 and how they impact the 2027 SYA.

7
8 Absent additional rate relief in 2026 and 2027, these
9 plant additions will put pressure on our ability to earn
10 within the range of return on equity the company is
11 proposing in this proceeding. My Original Prepared Direct
12 Testimony discusses the impact of these projects on our
13 expected 2026 and 2027 financial condition.

14
15 **Q.** What are the amounts of incremental plant in service for
16 these assets?

17
18 **A.** Document No. 5, page 1, of my exhibit includes a schedule
19 reflecting the projected 13-month average in-service
20 value for 2026 and 2027 for these projects. The schedule
21 also shows the expected incremental revenue requirement
22 needed for each project.

23
24 **Q.** What are the in-service dates for these projects?

25

1 **A.** Document No. 5, page 2, of my exhibit includes a schedule
2 reflecting the in-service date and incremental revenue
3 requirement for 2026 and 2027 for these projects.
4

5 **Q.** How would these plant additions impact company regulatory
6 filings?
7

8 **A.** Given the expected rate base growth from normal plant
9 additions and the major projects described above, and
10 absent an alternative regulatory approach, the company
11 anticipates that it would need to seek additional base
12 rate relief for 2026 and 2027. Specifically, the company
13 would expect to file another general request for base
14 rate relief in 2025 seeking additional base revenues in
15 2026 and a general rate proceeding in 2026 seeking
16 additional base revenues in 2027.
17

18 **Q.** Has the company considered alternatives to filing full
19 general rate proceedings in these two years?
20

21 **A.** Yes. The company proposes that the Commission approve
22 incremental SYA to cover the asset additions described
23 above.
24

25 The first SYA would be effective for the first billing

1 cycle in 2026 in the amount of \$100,074,841 and would
2 cover the incremental revenue requirement as described in
3 Document No. 5 of my exhibit.

4
5 The second SYA would become effective for the first
6 billing cycle in 2027 in the amount of \$71,847,925 and
7 would cover the incremental revenue requirement as
8 described in Document No. 5 of my exhibit.

9 My Original Prepared Direct Testimony explains why the
10 company needs subsequent year adjustments for 2026 and
11 2027.

12
13 **Q.** Please provide additional detail related to the
14 calculation of the revenue requirements to be recovered
15 by the company's proposed 2026 and 2027 SYA.

16
17 **A.** Document No. 5 of my exhibit shows the revenue requirement
18 for the projects to be recovered through the two SYA using
19 the 13-month average in-service value incremental to 2025
20 consistent with the methodology used for the Generation
21 Base Rate Adjustment in the 2021 Agreement.

22
23 **Q.** What assumptions did you make when calculating the SYA
24 shown in Document No. 5 of your exhibit?

25

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

11
12 The company based the incremental O&M projections for the
13 SYA on amounts expected to be incurred by operations. We
14 used the depreciation rate for 2025 for each project. We
15 calculated incremental property tax expense for Solar
16 projects as the prior year end net book value times an
17 estimated percentage of the net book value of assets that
18 is included in the property tax calculation. For Solar
19 Wave 3 and Solar Wave 4 projects, this percentage was 20
20 percent (consistent with the solar property tax exemption
21 percentage). This amount was then further multiplied by
22 the projected millage rate of 1.63 percent. The company
23 calculated property tax expense for non-solar projects
24 using the prior year end original in-service amount times
25 an estimated percentage of the original cost of assets

1 that is included in the property tax calculation. For the
2 Polk 1 Flexibility project, Energy Storage projects,
3 Corporate Headquarters, Bearss Operations Center, South
4 Tampa Resilience project, Polk Fuel Diversity project,
5 and Grid Reliability and Resilience projects, this
6 percentage was 55 percent (consistent with historical
7 percentages). This amount was then further multiplied by
8 the projected millage rate of 1.63 percent.

9
10 For the solar projects, we included a reduction for the
11 projected production tax credits that each location is
12 expected to generate. For the energy storage projects, we
13 included a reduction for the projected investment tax
14 credits that each location is expected to realize.

15
16 Finally, we added the return on assets to the operating
17 expense total (inclusive of the benefits of production
18 tax credits for solar projects and investment tax credits
19 for energy storage projects) to determine the total
20 revenue requirement for each project.

21
22 **Q.** What rate design principles does the company propose to
23 use for calculating the customer rates needed to implement
24 the 2026 and 2027 SYA?

25

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

5

6 **(8) SUMMARY**

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

8

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

18

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

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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

JEFF CHRONISTER

VOLUME II

Table of Contents

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1	List of Minimum Filing Requirement Schedules Sponsored or Co-Sponsored by Richard Latta	69
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4	2022-2025 O&M Expense	76
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LIST OF MINIMUM FILING REQUIREMENT SCHEDULES
SPONSORED OR CO-SPONSORED BY JEFF CHRONISTER

MFR Schedule	Title
A-01	Full Revenue Requirements Increase Requested
A-02	Full Revenue Requirements Bill Comparison - Typical Monthly Bills
A-03	Summary Tariffs
A-04	Interim Revenue Requirements Increase Requested
A-05	Interim Revenue Requirements Bill Comparison - Typical Monthly Bills
B-01	Adjusted Rate Base
B-02	Rate Base Adjustments
B-03	13-Month Average Balance Sheet - System Basis
B-04	Two Year Historical Balance Sheet
B-05	Detail Of Changes In Rate Base
B-06	Jurisdictional Separation Factors - Rate Base
B-07	Plant Balance By Account And Sub-Account
B-08	Monthly Plant Balances Test Year - 13 Months

B-09	Depreciation Reserve Balances By Account And Sub-Account
B-10	Monthly Reserve Balances Test Year - 13 Months
B-11	Capital Additions And Retirements
B-12	Production Plant Additions
B-13	Construction Work In Progress
B-14	Earnings Test
B-15	Property Held For Future Use - 13 Month Average
B-17	Working Capital - 13 Month Average
B-18	Fuel Inventory By Plant
B-19	Miscellaneous Deferred Debits
B-20	Other Deferred Credits
B-21	Accumulated Provision Accounts - 228.1 228.2 And 228.4
B-24	Leasing Arrangements
B-25	Accounting Policy Changes Affecting Rate Base
C-01	Adjusted Jurisdictional Net Operating Income
C-02	Net Operating Income Adjustments
C-03	Jurisdictional Net Operating Income Adjustments

C-04	Jurisdictional Separation Factors - Net Operating Income
C-05	Operating Revenues Detail
C-06	Budgeted Versus Actual Operating Revenues And Expenses
C-08	Detail Of Changes In Expenses
C-09	Five Year Analysis - Change In Cost
C-10	Detail Of Rate Case Expenses For Outside Consultants
C-11	Uncollectible Accounts
C-12	Administrative Expenses
C-13	Miscellaneous General Expenses
C-14	Advertising Expenses
C-15	Industry Association Dues
C-16	Outside Professional Services
C-17	Pension Cost
C-18	Lobbying Expenses Other Political Expenses & Civic/Charitable Contributions
C-19	Amortization/Recovery Schedule-12 Months
C-20	Taxes Other Than Income Taxes
C-21	Revenue Taxes

C-23	Interest In Tax Expense Calculation
C-29	Gains And Losses On Disposition Of Plant And Property
C-30	Transactions With Affiliated Companies
C-31	Affiliated Company Relationships
C-32	Non-Utility Operations Utilizing Utility Assets
C-33	Performance Indices
C-34	Statistical Information
C-35	Payroll And Fringe Benefit Increases Compared To CPI
C-36	Non-Fuel Operation And Maintenance Expense Compared to CPI
C-37	O&M Benchmark Comparison By Function
C-38	O&M Adjustments By Function
C-39	Benchmark Year Recoverable O&M Expenses By Function
C-40	O&M Compound Multiplier Calculation
C-41	O&M Benchmark Variance By Function
C-43	Security Costs
C-44	Revenue Expansion Factor
E-12	Adjustment To Test Year Revenue

F-01	Annual and Quarterly Reports To Shareholders
F-02	SEC Reports
F-03	Business Contracts With Officers Or Directors
F-05	Forecasting Models
F-08	Assumptions

Tampa Electric Company

2019-2025 Budgeted versus Actual Jurisdictional Adjusted Rate Base

(Dollars in 000's)
2019-2025

Adjusted Rate Base	2019		2020		2021		2022		2023		2024		2025	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	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	

TAMPA ELECTRIC COMPANY
DOCKET NO. 20240026-EI
EXHIBIT NO. JC-2
WITNESS: CHRONISTER
DOCUMENT NO. 2
PAGE 1 OF 1
FILED: 05/02/2024

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
	<u>1,082,676,843</u>	<u>1,307,528,515</u>	<u>1,304,104,215</u>	<u>1,616,951,887</u>

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
	<u>598,152,271</u>	<u>733,806,075</u>	<u>834,147,300</u>	<u>1,024,044,029</u>

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
	<u>484,524,571</u>	<u>573,722,440</u>	<u>469,956,916</u>	<u>592,907,857</u>

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
	<u>1,252.2</u>	<u>1,115.8</u>	<u>1,208.8</u>	<u>1,165.9</u>

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
	<u>909.1</u>	<u>768.0</u>	<u>840.1</u>	<u>771.8</u>

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
	<u>343.1</u>	<u>347.8</u>	<u>368.7</u>	<u>394.1</u>

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	7.37%	41,559,688	7.37%	70,262,090	7.37%	175,883,253	7.37%	68,906,417	7.37%	16,159,560	7.37%	33,327,170	7.37%	315,176,879	7.37%	752,234,604
2. Rate of Return (MFR A-1)	2,281,719	1.34364	3,062,949	1.34364	5,178,316	1.34364	12,962,596	1.34364	5,078,403	1.34364	1,190,960	1.34364	2,456,212	1.34364	23,228,536	1.34364	55,439,690
3. NOI Multiplier (MFR A-1)	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
4. Return on Rate Base (line 3 x line 4)	(37,142)		217,300		986,281		1,066,000		663,561		-		146,335		3,799,583		6,841,918
5. O&M 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
6. Depreciation Expense	721,636		1,278,784		1,620,061		3,206,785		1,016,053		-		247,434		789,029		8,879,782
7. Property Taxes	-		(1,196,669)		-		-		-		-		-		(14,086,935)		(15,283,604)
8. ITC Amortization / PTC	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
9. Total Revenue Requirement (Sum of lines 5 - 9)																	

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

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

	2025		2026		2027	
	Jan	Dec	Jan	Dec	Jan	Dec
Polk I 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		
Bears 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 (Receipts 1 and 2)		9.1		6.2		3.9
June 2026 - Generation (Receipts 3 and 4)				3.8		
Polk Fuel Diversity Project						
September 2026				2.1		6.1
Grid Reliability and Resilience						
August 2025 - Grid Communication Network (PIE 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						26.8
2025 Revenue Requirement						
2026 Subsequent Yr Adjustment				100.1		
2027 Subsequent Yr Adjustment						71.8
				Total 2026 Revenue Requirement:		Total 2027 Revenue Requirement:

TAMPA ELECTRIC COMPANY
DOCKET NO. 20240026-EI
EXHIBIT NO. JC-2
WITNESS: CHRONISTER
DOCUMENT NO. 5
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