

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Power)	DOCKET NO. 890319-EI
and Light Company for approval of)	ORDER NO. 22334
"Tax Savings" refund for 1988.)	ISSUED: 12-22-89
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The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTIONORDER RELATING TO TAX SAVINGS RATE REDUCTION

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

The Tax Reform Act of 1986 (TRA86) reduced the corporate tax rate from 46% to 40% in 1987 and from 40% to 34% in 1988 on a calendar year basis, along with numerous other changes. This lower corporate tax rate is now reflected in the base rates for companies which have had a rate proceeding since the end of 1986. For those which have not had a recent rate case, the application of Rule 25-14.003, Florida Administrative Code, (the tax savings rule) and company-proposed agreements have resulted in cash refunds, reductions in access charges, depreciation reserve adjustments or other adjustments being made to offset tax savings realized from TRA86 in 1987 and 1988. Some companies will refund tax savings in 1989 and expect to do so in the future.

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Of the five regulated electric utilities, only Florida Power Corporation and Florida Public Utilities Company have changed their customer rates to reflect the lower tax rate of 34%. Gulf Power Company has a docket pending to resolve its 1988 tax savings, and has agreed to use a 13.75% return on equity for calculation of 1989 tax savings, rather than the midpoint of its last authorized range of return as required by the tax savings rule. Tampa Electric Company refunded its 1988 tax savings, and was ordered to reduce its rates to remove the effect of the TRA86 tax change.

Florida Power & Light Company (FPL) made a tax savings refund for 1987 and has petitioned this Commission for approval of a 1988 tax savings refund in the amount of \$38,221,633. In Order No. 21143, we required FPL to credit customers' bills on a KWH basis so as to refund the tax savings as calculated by FPL, pending our Staff's review, audit, and discovery of data underlying utility's calculation. Our Staff has completed this task, and has recommended that FPL's tax savings refund be increased, and that the utility's rates be reduced to remove the effects of the tax rate change. Because members of our Staff differ widely on the proper amount of the refund, we find it appropriate to set this matter for hearing on the issue of the proper amount of the refund. It is apparent, however, that FPL's rates should be reduced to remove the effect of the TRA86 tax reduction. At this point, the amount of the rate reduction should be at least the amount of the utility's acknowledged tax savings, plus an additional amount to reflect disallowance of expenses with which FPL agrees.

Commission Staff has recommended, and FPL has agreed to, the disallowance of the certain expenses for the purpose of calculating tax savings. First, we will disallow \$76,908 (\$77,664 system) incurred by FPL for Edison Electric Institute media dues. In the past, we have disallowed all media communication dues in the calculation of rates. Second, we will disallow \$53,550 (\$54,007 system) incurred by the utility for the development of a new logo, as the expense is for the purpose of enhancing the company image, and is unnecessary for the provision of service. Finally, we will disallow \$104,062 (\$104,062 system) spent for printing materials for the Malcolm Baldrige Foundation. The expense constitutes a charitable contribution and as such, should not be included in the tax savings calculation. Thus, we find that FPL should reduce its rates by a total of \$38,460,672.

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In the absence of a hearing on the full amount of the rate reduction, and lacking a current cost of service study, we find that the permanent rate reduction should be allocated on an equal cents per KWH basis, to be effective on January 1, 1990.

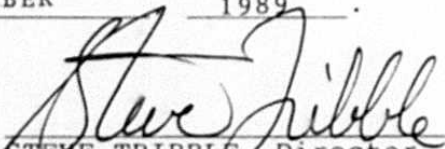
It is therefore

ORDERED that Florida Power & Light Company permanently reduce rates and charges by \$38,460,672. It is further

ORDERED that the permanent rate reduction be applied on an equal cents per KWH basis. It is further

ORDERED that the rate reduction is effective on January 1, 1990.

By ORDER of the Florida Public Service Commission,
this 22nd day of DECEMBER 1989.


STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

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The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on January 5, 1990.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.