

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Proposed repeal of Rules ) DOCKET NO. 950955-PU  
25-14.008, F.A.C., Method of ) ORDER NO. PSC-95-1160-NOR-PU  
Accounting; Cost of Service; and ) ISSUED: September 19, 1995  
25-14.009, F.A.C., Investment )  
Tax Credit Elections )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman  
J. TERRY DEASON  
JOE GARCIA  
JULIA L. JOHNSON  
DIANE K. KIESLING

NOTICE OF RULEMAKING

NOTICE is hereby given that the Florida Public Service Commission, pursuant to Section 120.54, Florida Statutes, has initiated rulemaking to repeal Rules 25-14.008 and 25-14.009, Florida Administrative Code, relating to method of accounting; cost of service and investment of tax credit elections.

The attached Notice of Rulemaking will appear in the September 22, 1995 edition of the Florida Administrative Weekly.

If timely requested, a hearing will be held at the following time and place:

Florida Public Service Commission  
9:30 a.m., December 11, 1995  
Room 152, Betty Easley Conference Center  
4075 Esplanade Way  
Tallahassee, Florida 32399-0850

Written requests for hearing and written comments or suggestions on the rules must be received by the Director, Division of Records and Reporting, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0862, no later than October 13, 1995.

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By ORDER of the Florida Public Service Commission, this 19th  
day of September, 1995.

BLANCA S. BAYÓ, Director  
Division of Records & Reporting

by: Kay Flynn  
Chief, Bureau of Records

( S E A L )

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 950955-PU

RULE TITLE:                   RULE NO.:

25-14.008                   Method of Accounting; Cost of Service

25-14.009                   Investment Tax Credit Elections

PURPOSE AND EFFECT: Rule 25-14.008, F.A.C., Method of Accounting; Cost of Service, was implemented to provide assurance to the Internal Revenue Service that the Commission would recognize normalization for those utilities using a specific accelerated method of depreciation. The tax code has subsequently been modified to allow for different types of depreciation methods for tax purposes which resolves the IRS's concerns regarding that specific type of accelerated depreciation. Rule 25-14.009, F.A.C., Investment Tax Credit Elections, mandated specific ratemaking treatment of investment tax credits if companies make certain elections. Investment tax credits were repealed in the 1986 revisions to the Internal Revenue Code.

SUMMARY: Rule 25-14.008, F.A.C., relating to methods of accounting and cost of service is repealed as the Internal Revenue Service no longer needs assurance that the Commission would recognize normalization for those utilities using an accelerated method of depreciation because the Internal Revenue Code was modified to allow for different types of depreciation methods for tax purposes. Rule 25-14.009, F.A.C., relating to Investment Tax Credit Elections

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is repealed to reflect the repeal of investment tax credits in the 1986 tax code.

RULEMAKING AUTHORITY: 350.127(2), F.S.

LAW IMPLEMENTED: 364.03, 364.035, 366.05(1), 367.121(1)(a), F.S.

WRITTEN COMMENTS OR SUGGESTIONS ON THE PROPOSED RULE MAY BE SUBMITTED TO THE FPSC, DIVISION OF RECORDS AND REPORTING, WITHIN 21 DAYS OF THE DATE OF THIS NOTICE FOR INCLUSION IN THE RECORD OF THE PROCEEDING.

HEARING: IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE HELD AT THE DATE AND PLACE SHOWN BELOW:

TIME AND DATE: 9:30 A.M., December 11, 1995

PLACE: Room 152, Betty Easley Conference Center, 4075 Esplanade Way, Tallahassee, Florida.

THE PERSON TO BE CONTACTED REGARDING THESE RULES AND THE ECONOMIC IMPACT STATEMENT IS: Director of Appeals, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, Florida 32399.

THE FULL TEXT OF THESE RULES ARE:

**25-14.008 Method of Accounting; Cost of Service.**

~~(1) Each utility seeking to qualify its public utility property as recovery property under the Economic Recovery Tax Act of 1981 shall follow a normalization method of accounting with respect to differences in ratemaking and tax lives, ratemaking and tax depreciation methods, averaging conventions, and salvage.~~

~~(2) If a utility qualifies its public utility property as recovery property under the Economic Recovery Tax Act of 1981 through the use of a normalization method of accounting, the effect of such use shall be recognized in determining cost of service.~~

~~(3) For the purpose of this rule, the following shall apply:~~

~~(a) Recovery property is public utility property for which the accelerated cost recovery system of depreciation and a normalization method of accounting is used.~~

~~(b) A normalization method of accounting is used for both recovery property and property for which the investment tax credit is allowed.~~

~~1. For depreciable property, adjustments are made to a reserve to reflect ratemaking and tax differences in salvage and depreciation rates, lines and starting points.~~

~~2. For investment tax credits where an election was made under section 46(f)(1) of the Code, restorations to rate base are allocated ratably in proportion to the ratemaking life used in the calculation of the regulated depreciation expense.~~

~~3. For investment tax credits where an election was made under section 46(f)(2) of the Code, reductions to cost of service are made on the basis of ratable~~

~~allocations of the credit in proportion to the regulated depreciation expense.~~

~~(c) Ratemaking life is the period of time actually used in computing the regulated depreciation expense.~~

~~(d) Tax life is the period of time over which the company may and does depreciate property under Sections 168 (b) (3) and 168 (e) (2) of the Code.~~

~~(e) Ratemaking depreciation is the regulated depreciation expense actually used by the Commission for the purpose of establishing the utility's cost of service for ratemaking purposes.~~

~~(f) Tax depreciation expense is the depreciation expense allowed by Section 168 of the Code and used by the utility.~~

~~(g) The averaging convention is use of one half of one year's depreciation for the first year that the asset is placed in service for tax purpose as required by Section 168 of the Code.~~

~~(h) Salvage is not recognized under the accelerated cost recovery system although for ratemaking purposes it may be recognized.~~

**Specific Authority:** 350.127(2), F.S.

**Law Implemented:** 364.03, 364.035, 366.05(1), 367.121(1)(a), F.S.

**History:** New 12/29/82, formerly 25-14.08, Repealed.

**25-14.009 Investment Tax Credit Elections.**

~~(1) Taxpayers (utilities and companies subject to the Commission's ratemaking jurisdiction) utilizing IRC s.46(f)(1)~~

~~shall be treated for ratemaking purposes as if they had elected to reduce asset basis for tax purposes as described in IRC s.48 (g) (1) and the Tax Equity and Fiscal Responsibility Act of 1982 s.205(a) (1).~~

~~(2) Taxpayers utilizing IRC s.46(f) (2) shall be treated for ratemaking purposes as if they had elected to reduce the applicable investment tax credit two percentage points as described in IRC s.48(g) (4) and the Tax Equity and Fiscal Responsibility Act of 1982 s.205(a) (1).~~

~~(3) If an affected utility desires to use the alternative method on its book and tax return for the current vintage year, it shall petition the Commission, which shall issue a ruling, by order as to the ratemaking and/or accounting treatment to be afforded qualified current vintage year property. If the Commission finds that the alternative method reduces the revenue requirement, the Commission may allow its use for ratemaking purposes, rather than the method specified. Once the Commission has prescribed the election treatment for a particular vintage year, that treatment shall be applicable in any subsequent ratemaking proceeding.~~

~~(4) Subsections (1) or (2) of this rule shall apply absent a petition filed by the utility requesting use of the alternative method.~~

**Specific Authority:** 350.127(2), F.S.

**Law Implemented:** 366.05(1), 364.03, 364.035, 367.121(1) (a), F.S.

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**History: New 5/17/83, Amended 6/25/84, formerly 25-14.09, Amended 10/22/86, Repealed\_\_\_\_\_.**

NAME OF PERSON ORIGINATING PROPOSED RULES: Ann Causseaux

NAME OF SUPERVISOR OR PERSON(S) WHO APPROVED THE PROPOSED RULES:  
Florida Public Service Commission.

DATE PROPOSED RULES APPROVED. August 29, 1995.

If any person decides to appeal any decision of the Commission with respect to any matter considered at the rulemaking hearing, if held, a record of the hearing is necessary. The appellant must ensure that a verbatim record, including testimony and evidence forming the basis of the appeal is made. The Commission usually makes a verbatim record of rulemaking hearings.

Any person requiring some accommodation at this hearing because of a physical impairment should call the Division of Records and Reporting at (904) 413-6770 at least five calendar days prior to the hearing. If you are hearing or speech impaired, please contact the Florida Public Service Commission using the Florida Relay Service, which can be reached at: 1-800-955-8771 (TDD).