

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Consideration of the tax impacts
associated with Tax Cuts and Jobs Act of 2017
for St. James Utility Company.

DOCKET NO. 20200149-WS
ORDER NO. PSC-2020-0301-PAA-WS
ISSUED: September 4, 2020

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman
ART GRAHAM
JULIE I. BROWN
DONALD J. POLMANN
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION
ORDER REGARDING TREATMENT OF TAX IMPACTS
OF TAX CUTS AND JOBS ACT OF 2017

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 substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

BACKGROUND

The Tax Cuts and Jobs Act of 2017 (TCJA) was signed into law on December 22, 2017, and became effective for the taxable year beginning January 1, 2018. On January 9, 2018, the Office of Public Counsel (OPC) filed a “Petition to Establish Generic Docket to Investigate and Adjust Rates for 2018 Tax Savings.” On February 6, 2018, in Order No. PSC-2018-0104-PCO-PU,¹ we established jurisdiction over utilities’ tax savings if such a date was not contained in an applicable settlement agreement. Subsequently, we opened separate dockets to address the tax savings for electric and natural gas utilities. At this time, all electric, natural gas, and water and wastewater utilities (WAW) tax savings dockets have been resolved except for two WAW utilities, Gold Coast Utility Corporation and St. James Utility Company (St. James). The instant docket was opened to address tax savings associated with St. James.

For WAW utilities that have income taxes included in their revenue requirement, the 2018 annual reports are necessary to determine each utility’s earned return and if a utility earned in excess of its allowed return. St. James recently provided its 2018 annual report to this Commission.

¹Order No. PSC-2018-0104-PCO-PU, issued February 6, 2018 in Docket No. 20180013-PU, *In re: Petition to establish a generic docket to investigate and adjust rates for 2018 tax savings, by Office of Public Counsel.*

We have jurisdiction in this case pursuant to Sections 367.011, 367.081, and 367.121, Florida Statutes.

DECISION

When deciding if a utility's base rates should be reduced for changes in tax rates we have historically considered the earnings position of the utility.² We find that this analysis is necessary because reducing base rates results in cash flow reductions for the utility, puts downward pressure on earnings, and accelerates the need for a rate case sooner versus later.

Table 1 shows St. James' Net Operating Income, Rate Base, Achieved Rate of Return, and Approved Rate of Return Cap.

Table 1
Tax Cuts and Jobs Act WAW Analysis

	Company	Net Operating Income	Rate Base	Achieved ROR	Approved ROR Cap
3	St. James Utility Company	\$ (196,755)	\$ (1,638,999)	Loss	9.50%

Source: 2018 Annual Report

Based on this information, St. James is earning significantly below its authorized rate of return. Consequently, we find that no adjustment to St. James' base rates is necessary to reflect the tax impacts resulting from the passage of the TCJA.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that St. James Utility Company is not earning above its allowed rate of return range. It is further

ORDERED that no adjustment to the base rates of St. James Utility Company associated with the tax impacts resulting from the passage of the Tax Cuts and Jobs Act of 2017 is necessary. It is further

ORDERED that the provisions of this order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition in the form provided by Rule 28-106.201, F.A.C., is received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

² Order No. PSC-2019-0076-FOF-GU, issued February 25, 2019, in Docket No. 20180051-GU, *In re: Consideration of the tax impacts associated with the Tax Cuts and Jobs Act of 2017 for Florida Public Utilities Company – Gas*; Order No. PSC-2019-0077-FOF-GU, issued February 25, 2019, in Docket No. 20180052-GU, *In re: Consideration of the tax impacts associated with the Tax Cuts and Jobs Act of 2017 for Florida Public Utilities Company – Indiantown Division*; Order No. PSC-2019-0079-FOF-GU, issued February 25, 2019, in Docket No. 20180053-GU, *In re: Consideration of the tax impacts associated with the Tax Cuts and Jobs Act of 2017 for Florida Public Utilities Company – Fort Meade Division*; Order No. PSC-2019-0078-FOF-GU, issued February 25, 2019, in Docket No. 20180054-GU, *In re: Consideration of the tax impacts associated with the Tax Cuts and Jobs Act of 2017 for the Florida Division of Chesapeake Utilities Corporation*. Order No. PSC-2019-0350-PAA-PU, issued August 22, 2019, in Docket No. 20180013-PU, *In re: Petition to establish a generic docket to investigate and adjust rates for 2018 tax savings by Office of Public Counsel*.

ORDERED that upon expiration of the protest period, if a timely protest is not received from a substantially affected person, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 4th day of September, 2020.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 25, 2020.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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