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January 31, 2022

**VIA: ELECTRONIC FILING**

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

Re: Consideration of the tax impacts associated with Tax Cuts and Jobs Act of 2017  
Tampa Electric Company; Docket No. 20180045-EI

Dear Mr. Teitzman:

Consistent with Tampa Electric Company's ("Tampa Electric" or the "company") petition filed on November 29, 2021 ("Petition"), enclosed for filing in this docket as Exhibits One and Two are the calculations supporting the company's proposed \$6,198,225 credit to the Energy Conservation Cost Recovery Clause to reflect (1) the 2021 calendar year impact of the State of Florida's corporate income tax rate decrease from 4.458 percent in 2019 and 2020 to 3.535 percent in 2021 and (2) the true up of excess accumulated deferred state income taxes ("EADSIT") as of December 31, 2018. Should the Commission decide to do so, Tampa Electric does not object to this letter and the Petition being placed in Docket No. 20190203-EI or a new docket or both.

The company offers the following explanation to assist the Commission and its Staff with their review of these materials:

1. In September 2019, the State of Florida announced that it was temporarily reducing its corporate income tax rate from 5.5 percent to 4.458 percent for calendar years 2019, 2020, and 2021. Tampa Electric filed a petition in Docket No. 20190203-EI on November 13, 2019, proposing a base rate decrease of \$4,959,442 effective January 1, 2020, to reflect the lower tax rate.<sup>1</sup> The proposed rate decrease was calculated as the 2019 net annual state income tax expense reduction of \$3,743,288 plus amortization of estimated EADSIT of \$4,265,315 over five years (\$853,063 per year), with the applicable revenue expansion or gross up factors. The company's 2019 petition acknowledged that its calculation of the EADSIT as of December 31, 2018, was

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<sup>1</sup> The company also proposed to credit the ECCR in the same annual amount on a one-time basis to flow the value of the tax rate decrease for 2019 to its customers.

based on estimates and would be true up after the company filed its 2018 state corporate income tax return.

2. The Commission issued Order No. PSC-2019-0524-PAA-EI on December 17, 2019, approving the company's proposal and acknowledging the company's plans to true up the EADSIT amount used to calculate the base rate reduction and credit to the ECCR.

3. On September 14, 2021, the State of Florida temporarily lowered its corporate income tax rate further from 4.458 percent to 3.535 percent for calendar year 2021 only. The company filed a petition to address this temporary rate change on November 29, 2021. Therein, the company indicated that the net annual income tax expense reduction associated with the lower 2021 state income tax rate was approximately \$2,725,826 before applying the tax rate gross up factors and approximately \$3,576,854 after. The company also indicated that it was completing the true up of the estimated EADSIT amount of December 31, 2018, described above.

4. The company has now completed its true up work and the results are shown on Exhibit One. Based on the actual timing differences reversing in 2019, 2020 and 2021, which are shown on Exhibit One, and the lower 3.535 percent tax rate for 2021, the amount of EADSIT as of December 31, 2018, was \$4,556,867, not \$4,265,315, for a total difference of \$291,552. As a result, the annual amortization of the EADSIT for 2019 to 2023 should be \$911,373 - not \$853,063 as originally estimated - for an annual difference of \$58,310. The summary in the upper right-hand corner of Exhibit One shows the annual amortization difference by year and that, as of the end of December 31, 2021, the cumulative amount amortized for the first three years of the five-year amortization period should have been \$174,931 greater. That portion of Exhibit One also shows that the total of the \$174,931 and the revised annual amortization amounts for 2022 and 2023 equals \$1,997,687 before applying the tax rate gross up factor and approximately \$2.6 million after.

5. The company's calculation of the credit to the ECCR to be included in its 2021 true-up filing to be made in the spring of 2022 is set forth on Exhibit Two. It shows the impact of the lower 2021 tax rate for 2021 on a Net Operating Income neutral basis as required by the 2017 Agreement, and a proposed amount for the EADSIT true up, both grossed-up for taxes, and totals \$6,198,225. Notably, rather than including only the \$174,931 in the 2021 true up amount, the company proposes to accelerate crediting the 2022 and 2023 annual amortization amounts by including them in its proposed credit for the 2021 ECCR true-up. Given the dollar amounts involved, the company believes that this approach is more favorable to customers and more administratively efficient than including a credit of \$911,373 in the 2022 and 2023 ECCR true-up filings. The company believes that this approach is not prohibited by the 2017 Agreement, will not impact NOI during the 2021 Agreement settlement period (2022 to 2024), will allow the Commission and the parties to complete the 2019 through 2021 temporary state tax rate decreases, and is in the public interest.

6. The company presented the calculations reflected on Exhibits One and Two and its proposal for resolving the 2019 through 2021 state tax rate decreases to the parties to the 2017 Agreement (OPC, FIPUG, FEA, FRF, and WCFHUA) and Walmart on January 28 and 31, 2021. The Office of Public Counsel has advised Tampa Electric that it does not object to the calculation

or proposal. The other Consumer Parties are considering the information presented to them and will advise the undersigned counsel for Tampa Electric of their position on the matters in this letter as soon as practicable, which positions will be promptly shared with the Staff. Tampa Electric would be pleased to meet informally with the Staff and Consumer Parties to discuss the contents of this letter and the Petition at a mutually convenient time.

Sincerely,



J Jeffrey Wahlen

JJW/ne

Attachment

cc: Richard Gentry (w/attachment)  
Charles Rehwinkel (w/attachment)  
Jon Moyle (w/attachment)  
Scheff Wright (w/attachment)  
Stephanie Eaton (w/attachment)  
Holly Buchanan (w/attachment)  
Mark Sundback (w/attachment)

**TAMPA ELECTRIC COMPANY**  
ESTIMATED EXCESS ADIT AS OF DECEMBER 31, 2018 THAT REVERSED DURING 2019-2021

M-Item	Estimated Gross Timing Difference to Reverse 2019:		Actual Gross Timing Difference		State Excess DIT Variance
	2021 per Docket No. 20190203-EI	Estimated State Excess DIT	Reversed 2019- 2021	Actual State Excess DIT	
DEPRECIATION - BOOK TAX DIFF STATE	324,024,652	(2,667,306)	394,693,119	(3,957,458)	(1,290,152)
DEF SEP CO - FL NOL - UNPROTECTED	195,804,782	(1,611,826)	185,118,469	(1,523,858)	87,968
SEC 263A INTEREST CAP	32,279,142	(265,715)	61,555,582	(609,709)	(343,993)
PENSION - NC	31,472,000	(259,071)	38,464,000	(401,533)	(142,461)
COST OF REMOVAL	(65,151,997)	536,318	(80,295,792)	882,716	346,398
SEC 263A INDIRECT COSTS	(243,267)	2,003	2,218,212	(45,163)	(47,166)
DEFERRED FUEL	(45,168,581)	371,819	(21,875,482)	180,075	(191,744)
ACCRUED BONUS	17,161,091	(141,267)	35,529,208	(292,469)	(151,203)
LEASE - ROU ASSET - OPER	-	-	24,237,929	(186,696)	(186,696)
DEFERRED REVENUE	4,389,389	(36,133)	4,389,389	(72,295)	(36,163)
LONG TERM INCENTIVE	9,366,930	(77,107)	15,895,887	(158,248)	(81,141)
CIAC	24,015,266	(197,689)	18,457,467	(165,686)	32,003
VACATION ACCRUAL	12,230,005	(100,675)	88,937	2,043	102,718
FAS 112	6,717,095	(55,294)	5,403,857	(48,972)	6,322
FAS 106 - NC	11,269,442	(92,768)	19,068,881	(166,200)	(73,432)
RATE CASE EXPENSE - NC	-	-	1,825,896	(28,344)	(28,344)
UNBILLED ENVIRONMENTAL REV	2,964,432	(24,403)	(1,841,656)	18,104	42,507
UNBILLED CONSERVATION REV	1,898,277	(15,626)	(2,571,713)	17,879	33,505
RATE REFUND	1,060,049	(8,726)	1,060,049	(8,726)	-
SERP - NC	439,869	(3,621)	439,869	(4,690)	(1,069)
401K - PERFORMANCE MATCH	559,000	(4,602)	3,076,868	(35,863)	(31,261)
DEFERRED LEASE - NC	584,358	(4,810)	668,333	(5,502)	(691)
G/L - SALE OF ASSETS	521,846	(4,296)	507,739	(5,459)	(1,163)
INTEREST EXPENSE	-	-	-	(5,510)	(5,510)
OCI FAS 133 INTEREST - NC	294,084	(2,421)	-	-	2,421
LOSS FROM GRANTOR TRUST	264,538	(2,178)	-	-	2,178
FIBER OPTIC	418,921	(3,448)	3,025,554	(24,802)	(21,353)
CURRENCY ADJ - UNREAL G/L	-	-	(15,353)	(79)	(79)
DEPRECIATION - BOOK	-	-	(351,920)	2,897	2,897
LEGAL EXPENSES	589,926	(4,856)	125,673	(1,035)	3,822
RESTORATION PLAN	333,120	(2,742)	471,286	(251)	2,491
AMORT - BOND DISCOUNT	(362,775)	2,986	(362,775)	3,868	882
DISMANTLEMENT COSTS	3,558,282	(29,291)	3,558,282	(37,940)	(8,649)
AMORT - BOND ISSUE COSTS	(491,054)	4,042	(491,055)	5,198	1,156
AMORT - BOND PREMIUM	(682,729)	5,620	(669,297)	7,018	1,398
BAD DEBT	762,123	(6,274)	7,656,794	(70,052)	(63,778)
DREDGING	(1,091,112)	8,982	(1,091,111)	10,366	1,384
ACCRUED SEVERANCE	-	-	(2,204,797)	22,173	22,173
DEFERRED COMP	496,666	(4,088)	(3,054,559)	30,692	34,780
STORM PROTECTION CLAUSE	-	-	4,997,559	(41,139)	(41,139)
UNBILLED REVENUE/FUEL	27,130,621	(223,334)	3,388,729	(27,895)	195,439
DEFERRED INTEREST - BONDS	(6,782,538)	55,832	(6,782,540)	66,010	10,177
LEASE LIABILITY - OPER	-	-	(25,233,827)	194,846	194,846
AMORTIZATION STATE	(22,157,320)	182,395	(45,508,326)	643,054	460,659
REPAIRS CAPITALIZED ON BOOKS	(50,323,538)	414,253	(131,974,246)	1,281,769	867,516
	<b>518,150,995</b>	<b>(4,265,315)</b>	<b>511,599,119</b>	<b>(4,556,867)</b>	<b>(291,552)</b>
5 Year Amortization		(853,063)		(911,373)	(58,310)

Five Year Amortization of Excess ADIT			
	Original	Actual	Difference
YEAR 1-2019	(853,063)	(911,373)	(58,310)
YEAR 2-2020	(853,063)	(911,373)	(58,310)
YEAR 3-2021	(853,063)	(911,373)	(58,310)
YEAR 4-2022	(853,063)	(911,373)	(58,310)
YEAR 5-2023	(853,063)	(911,373)	(58,310)
TOTAL	<b>(4,265,315)</b>	<b>(4,556,867)</b>	<b>(291,552)</b>

Summary of Rate Change			
	Former Rate	New Rate 2019-2020	New Rate 2021
offset	-0.01155	-0.0093618	-0.0074235
state	0.055	0.04458	0.03535
fed	0.19845	0.2006382	0.2025765
st + offset	0.04345	0.0352182	0.0279265
fed stat.	0.21	0.21	0.21
Net Fed & State	0.25345	0.2452182	0.2379265

**Florida State Income Tax Rate Change  
Estimated Annual Revenue Requirement Difference  
2021 Budget**

Net Operating Income (Retail Jurisdictional) at Former Tax Rate	\$	377,664,782
Net Operating Income (Retail Jurisdictional) at New Tax Rate		<u>380,390,608</u>
Impact of New Rate	\$	2,725,826
Effective Tax Rate Gross-Up Factor		<u>0.76207350</u>
<b>Revenue Requirement Change</b>	<b>\$</b>	<b>3,576,854</b>
Excess State Tax True Up	\$	1,997,678
Effective Tax Rate Gross-Up Factor		<u>0.76207350</u>
Excess State Tax True Up Revenue Requirement	\$	2,621,371
<b>Total Revenue Requirement Change</b>	<b>\$</b>	<b>6,198,225</b>