

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Proposed Rule 25-14.013,)
F.A.C., Accounting for Deferred)
Income Taxes Under SFAS 109)
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DOCKET NO. 920865-PU
ORDER NO. PSC-92-1201-NOR-PU
ISSUED: 10/22/92

NOTICE OF RULEMAKING

NOTICE is hereby given that the Commission, pursuant to section 120.54, Florida Statutes, has initiated rulemaking to adopt Rule 25-14.013, F.A.C., relating to accounting for deferred income taxes under SFAS 109.

The attached Notice of Rulemaking will appear in the October 30, 1992 edition of the Florida Administrative Weekly.

No hearing will be held because the rule relates exclusively to the Commission's organization, procedure or practice.

Written comments or suggestions on the rule must be received by the Director, Division of Records and Reporting, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, FL 32399, no later than November 20, 1992.

By direction of the Florida Public Service Commission this 22nd day of October, 1992.



STEVE TRIBBLE, Director
Division of Records & Reporting

(S E A L)

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DOCUMENT NUMBER-DATE
12431 OCT 22 1992
FPSC-RECORDS/REPORTING

ORDER NO. PSC-92-1201-NOR-PU
DOCKET NO. 920865-PU
PAGE 2

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 920865-PU

RULE TITLE:

RULE NO.:

Accounting for Deferred Income Taxes Under

25-14.013

SFAS 109

PURPOSE AND EFFECT: The purpose of Rule 25-14.013, F.A.C., is to provide guidance for the implementation of Financial Accounting Standards Board Statement of Accounting Standards No. 109, issued February of 1992, (SFAS 109) and the treatment of excess or deficient deferred income tax balances when there are changes in federal and state income tax rates; to establish the ratemaking treatment of deferred income taxes and regulatory assets and liabilities created at implementation of SFAS 109; and to require the implementation of SFAS 109 to be revenue neutral.

SUMMARY: The rule states that the implementation of SFAS 109 shall be revenue neutral, defines various terms used in the rule, states how the deferred taxes and regulatory assets and liabilities required on implementation shall be calculated, details the recalculation necessary to state those and existing deferred taxes and the above-mentioned regulatory assets and liabilities, and states what shall be done when either federal or state income tax rates change. The rule also specifies the ratemaking treatment of deferred taxes and regulatory assets and liabilities related to implementation of SFAS 109 and states that these items are to be

ORDER NO. PSC-92-1201-NOR-PU
DOCKET NO. 920865-PU
PAGE 3

recorded in whatever accounts are provided for that purpose at the time of implementation.

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

LAW IMPLEMENTED: 366.05(1), 364.03, 364.035, 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.

NO HEARING WILL BE HELD BECAUSE THIS RULE RELATES EXCLUSIVELY TO THE COMMISSION'S ORGANIZATION, PROCEDURE OR PRACTICE.

THE PERSON TO BE CONTACTED REGARDING THIS RULE AND THE ECONOMIC IMPACT STATEMENT IS: Director of Appeals, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida 32399.

THE FULL TEXT OF THE THIS RULE IS:

25-14.013 Accounting for Deferred Income Taxes Under SFAS 109

(1). Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, (SFAS 109), incorporated by reference, shall be implemented by each utility in a manner such that the balances of excess and deficient deferred income taxes are properly stated and that the application of SFAS 109 is revenue neutral in the ratemaking process.

(2). Definitions. For purposes of this rule, the following definitions apply:

(a). "Statutory amounts." The accumulated deferred

taxes that are required by §167(1)(3)(G)(ii) or §168(f)(2) or (i)(9) of the Internal Revenue Code.

(b). "Non-statutory amounts." The accumulated deferred taxes that are not by required by §167(1)(3)(G)(ii) or §168(f)(2) or (i)(9) of the Internal Revenue Code.

(c). "Protected amounts." The accumulated deferred taxes that are subject to §203(e) of the Tax Reform Act of 1986.

(d). "Unprotected amounts." The accumulated deferred taxes that are not subject to §203(e) of the Tax Reform Act of 1986.

(3). Upon implementation of SFAS 109, each utility shall first record the income tax gross-up required by the statement, to account for the temporary differences previously recorded net of tax, and the related deferred income taxes in the appropriate balance sheet accounts. The historical income tax rates in effect when the temporary differences were originally realized shall be used in calculating the income tax gross-up for items previously recorded net of tax.

(4). Each utility shall then recalculate all deferred income tax balances to reflect the enacted income tax rates in the period the timing differences are expected to reverse. The difference between the deferred income tax balances per books and the recalculated balances shall be recorded in regulatory asset and liability accounts as prescribed by the applicable Uniform System

of Accounts at the time of recalculation.

(5). The deferred income taxes on prior flow-through items and temporary differences, which were not considered timing differences prior to implementation of SFAS 109, such as equity AFUDC and unamortized investment tax credits, shall be recorded at the enacted income tax rates. Corresponding regulatory assets and liabilities shall also be recorded.

(6). Regulatory assets and liabilities as established by each utility in Sections (3) and (4) are considered temporary differences and shall be grossed up for income taxes at the enacted income tax rates to reflect the revenue requirements to be received from or refunded to customers in the future. This income tax gross up shall be recorded in the related regulatory asset or liability accounts and the deferred income tax accounts. The regulatory assets and liabilities created under SFAS 109 shall be considered as temporary differences and deferred income taxes shall be provided.

(7). Deferred income tax assets shall be recorded by each utility for all tax credit carry-forwards including, but not limited to, net operating loss carry-forwards, investment tax credit carry-forwards and alternative minimum tax credit carry-forwards.

(8). Each utility shall maintain accumulated deferred income tax accounts at a level of detail sufficient to distinguish between

Federal and state amounts, statutory and non-statutory amounts and protected and unprotected amounts. Separate accounts shall be maintained for federal and state income taxes. Differences between prior and current statutory rates shall be recorded in a regulatory asset or liability account.

(9). The regulatory assets and liabilities shall be reversed as the temporary differences reverse. Excess and deficient deferred income taxes associated with temporary differences shall not be reversed any faster than allowed under either the average rate assumption method of §203(e) of the Tax Reform Act of 1986 or Revenue Procedure 88-12, whichever is applicable. For good cause shown, this provision may be waived notwithstanding the requirements of paragraph (1).

(10). When the statutory income tax rate is changed as a result of legislative action after the implementation of SFAS 109, each utility shall adjust its deferred income tax balances to reflect the new statutory income tax rate. The recording of regulatory assets and liabilities for the excess or deficient deferred income taxes, accounting detail and reversal of the excess and deficient deferred income taxes shall comply with sections (4) through (9) of this rule.

(11). All regulatory assets and liabilities and debit and credit deferred taxes resulting purely from implementation of SFAS 109 shall be treated in a manner similar to accumulated deferred

ORDER NO. PSC-92-1201-NOR-PU
DOCKET NO. 920865-PU
PAGE 7

income taxes at zero cost and shall be included in the capital structure as a separate line item in all reports filed with the Commission.

(12). Implementation and restatement for SFAS 109 shall be allowed for ratemaking purposes at a time which coincides with implementation for external reporting purposes if implementation is in compliance with this rule.

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

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

History: New

NAME OF PERSON ORIGINATING PROPOSED RULE: Ann Causseaux

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

DATE PROPOSED RULE APPROVED: 09/15/92