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TALLAHASSEE

February 19, 1990

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HAND DELIVERED

Mr. Steve Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32399

Re: ~~Docket No. 891278-PU~~, Revision of Rule 25-14.003,
F.A.C., Corporate Income Tax Expense Adjustment Rule;
Midpoint and Additional Changes.

Dear Mr. Tribble:

Enclosed for filing and distribution are the original and 15
copies of FIPUG's Post-Hearing Comments.

ACK
AFA
APP
CAF _____
CMU _____
CTR _____
EAG
LEG _____
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OPC _____
RCH VGK/jwm
SEC Enclosures
WAS _____
OTH _____

Also enclosed is an extra copy of FIPUG's Post-Hearing
Comments. Please stamp it with the date of filing and return it
to me.

Thank you for your assistance.

Sincerely,

Vicki Gordon Kaufman
Vicki Gordon Kaufman

DOCUMENT NUMBER-DATE

01608 FEB 19 1990

F-PSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Revision of Rule 25-14.003,) DOCKET NO.: 891278-PU
F.A.C., Corporate Income Tax Expense) FILED: February 19, 1990
Adjustment Rule; Midpoint and)
Additional Changes.)

FIPUG'S POST-HEARING COMMENTS

The Florida Industrial Power Users Group ("FIPUG") files the following post-hearing comments:

1. FIPUG's comments address the revisions proposed to rule 25-14.003(5) which deal with the procedures which will be used to implement the revised tax savings rule.

2. Currently, rule 25-14.003(5)(a) mandates that any tax savings be returned to customers in the form of a refund. The present rule allows no other disposition of tax savings.

3. Proposed rule 25-14.003(5)(a) provides not only for refunds (or collections in the event of a deficiency), but allows "other adjustments approved by the Commission." FIPUG suggests that the most equitable way to deal with tax savings, which are the direct result of customer overpayments, is to refund the money directly to the customers. It would be inequitable to allow these refunds which are due to customers to be used for "other adjustments" which the rule does not specify. In at least one instance, a utility has requested that the tax savings refund

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FPSC-RECORDS/REPORTING

be applied against nuclear decommissioning reserves. Such an application of refunds due to customers is inappropriate.

4. FIPUG suggests that in addition to allowing tax savings refunds, it would be appropriate for the Commission to consider base rate reductions for companies based on the demonstrated need for tax savings refunds either through the proposed agency action procedure or through a full rate proceeding as the Commission has done in the past.

5. Section 25-14.003(5)(f) currently provides that an electric utility must refund any tax savings on a kilowatt hour basis. The proposed change would allocate the refund:

on a basis that fairly and equitably reflects the income taxes embodied in rates for the utility's or regulated company's various customer classes, or on any other fair and reasonable basis approved by the Commission.

6. The kind of distribution which the proposed revision contemplates would require a cost-of-service study in order to accomplish the distribution on an equitable basis.

7. FIPUG is not adverse to the use of a cost-of-service study to determine refund distribution, but FIPUG would point out that such a study would be expensive and even burdensome to perform on a yearly basis. Therefore, until any tax savings is permanently addressed in a full rate case, the rule should continue to use a kilowatt hour basis for a refund.

8. Alternatively, if the Commission moves away from a kilowatt hour basis for refund distribution, the rule should specify the distribution methodology which will be used in tax

savings cases (i.e., a distribution resulting from a cost-of-service study). Specificity as to the distribution methodology will put the parties to a tax savings case on notice as to the distribution methodology and allow the parties to prepare their cases accordingly.

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Attorney for the Florida
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of FIPUG's Post-Hearing Comments have been furnished by hand delivery* and by U.S. Mail to the following parties of record this 19th day of February, 1990:

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