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PLEASE REPLY TO:  
TALLAHASSEE  
March 21, 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 Comments on Staff's Post-Hearing Versions of  
Rule 25-14.003.

Also enclosed is an extra copy of FIPUG's Comments on  
Staff's Post-Hearing Versions of Rule 25-14.003. 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

ACK  copies of FIPUG's Comments on Staff's Post-Hearing Versions of  
AFA  Rule 25-14.003.  
APP  Also enclosed is an extra copy of FIPUG's Comments on  
CAF  Staff's Post-Hearing Versions of Rule 25-14.003. Please stamp it  
CMU  with the date of filing and return it to me.  
CTR  Thank you for your assistance.  
EAG   
LEG   
LIN  6  
CPC   
RCH  vGK/jwm  
SEC  Enclosures  
WAS   
OTH

RECEIVED & FILED

*[Signature]*  
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

02544 MAR 21 1990

FPSC-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: March 21, 1990  
Adjustment Rule; Midpoint and )  
Additional Changes. )

**FIPUG'S COMMENTS ON STAFF'S  
POST-HEARING VERSIONS OF RULE 25-14.003**

The Florida Industrial Power Users Group ("FIPUG") files the following comments on Staff's three proposed revisions of rule 25-14.003.

1. FIPUG adopts and incorporates herein by reference its post-hearing comments filed on February 19, 1990. Attachment 1.<sup>1/</sup> It is FIPUG's position that Staff's original proposed revisions to the tax savings rule (Version A of the February 23, 1990 transmittal) with the revisions suggested by FIPUG in Attachment 1 represent the most appropriate revisions to the tax savings rule.

2. FIPUG is opposed to repeal of the tax savings rule (Version B of the February 23, 1990 transmittal). Repeal of the rule will permit the utilities to retain the tax overpayments made by ratepayers and thus receive a windfall in tax savings due

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<sup>1/</sup> FIPUG's February 19 comments refer to the procedures in proposed sections 25-14.003(5)(a) and 25-14.003(5)(f) of the prior draft of the rule. In the current draft, Version A moves the procedures section to section 25-14.003(6). Thus FIPUG now directs its comments to proposed sections 25-14.003(6)(a) and 25-14.003(6)(f).

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02544 MAR 21 1990  
FPSC-RECORDS/REPORTING

to the Tax Reform Act of 1986.

3. FIPUG is also opposed to the "flow-through" adjustment outlined in Version C of the February 23, 1990 transmittal. Because any tax savings are a direct result of customer overpayments, such amounts should be directly refunded to the customers.

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Attorney for the Florida  
Industrial Power Users Group

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of FIPUG's Comments on Staff's Post-Hearing Versions of Rule 25-14.003 has been furnished by \*hand delivery or U.S. Mail to the following parties of record this 21st day of March, 1990:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Revision of Rule 25-14.003, ) DOCKET NO.: 891278-PU  
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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



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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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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