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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Proposed Revisions to Rule	)	
25-14.003, F.A.C., Corporate	)	Docket No. 891278-PU
Income Tax Expense Adjustment Rule:	)	Filed: March 21, 1990
Midpoint and Additional Changes	)	
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COMMENTS ON STAFF'S PROPOSED  
FINAL REVISION OF RULE 25-14.003, F.A.C.

The Citizens of the State of Florida, through their attorney, the Public Counsel, file these comments on the three final versions of Rule 25-14.003, Florida Administrative Code, proposed by the Commission Staff on February 23, 1990.

1. Version A, at this point, is the Citizens' preference. This proposal calls for the collection of a "tax deficiency," or the refund of a "tax savings," but restricts either in such a way

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that the utility will not be forced beyond the midpoint of a reasonable rate of return. The method by which the midpoint would be calculated under Version A hardly could be more fair. It would use the current cost of equity and the actual costs incurred for all other sources of capital. The Citizens fail to see how any party could complain about such a fundamentally fair method of implementing an earnings test.

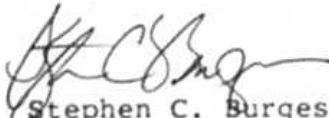
2. The Citizens recommend that the Commission reject Version B. The total repeal of the tax rule would remove a very useful tool from the regulatory process. A properly applied tax

rule allows the Commission to incorporate any shifts in Federal Income Tax policy into utility rates on a timely basis. The Commission should not relinquish this ability.

3. Version C was the method originally favored by the Citizens. While the Citizens continue to support the theoretical correctness of Version C, its adoption at this point could produce immensely troubling results. Consider the possibility of a tax rate increase closely following the adoption of Version C. Under that circumstance, all affected utilities would flow through to their customers the full effect of the tax rate change. That result would be flagrantly unfair, in light of the amount of tax savings for 1987, 1988 and 1989, which the utilities have kept (or will keep) as a result of the earnings test applied for those years. Had the utilities been required to flow through the entire tax reduction from the beginning, Version C would have been preferable, but at this point its potential adverse consequences are too severe.

Respectfully submitted,

Jack Shreve  
Public Counsel

  
Stephen C. Burgess  
Deputy Public Counsel

Office of the Public Counsel  
c/o The Florida Legislature

111 West Madison Street  
Room 812  
Tallahassee, Florida 32399-1400  
904/488-9330

Attorneys for the Citizens  
of the State of Florida

CERTIFICATE OF SERVICE  
Docket No. 891278-PU

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by U.S. Mail\*, hand-delivery\*\*, or by facsimile\*\*\* to the following parties on this 21st day of March, 1990.

\*JEFFREY A. STONE, ESQ.  
Beggs & Lane  
Post Office Box 12950  
Pensacola, FL 32576

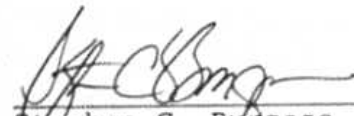
\*\*CINDY MILLER, ESQ.  
Division of Legal Services  
Florida Public Service Commission  
101 E. Gaines Street  
Tallahassee, FL 32399-0872

\*LEE WILLIS  
Ausley Law Firm  
Post Office Box 391  
Tallahassee, FL 32301

\*THOMAS PARKER  
General Telephone Company  
Post Office Box 110  
Tampa, FL 33601

\*MATTHEW CHILDS, ESQ.  
Steel, Hector & Davis  
215 S. Monroe Street, #601  
Tallahassee, FL 32301

\*MARSHALL CRISER, III, ESQ.  
Southern Bell Telephone  
150 S. Monroe St., #400  
Tallahassee, FL 32301

  
\_\_\_\_\_  
Stephen C. Burgess  
Deputy Public Counsel