

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Proposed Rule 25-14.013, ) DOCKET NO. 920865-PU  
F.A.C., Accounting for Deferred )  
Income Taxes Under SFAS 109 ) ORDER NO. PSC-93-0139-FOF-PU  
 )  
 ) ISSUED: 01/27/93

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NOTICE OF ADOPTION OF RULE

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

The rule was filed with the Department of State on January 25, 1993 and will be effective on February 12, 1993. A copy of the relevant portions of the certification filed with the Secretary of State is attached to this Notice.

This docket is closed upon issuance of this notice.

By ORDER of the Florida Public Service Commission this 27th day of January, 1993.

  
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STEVE TRIBBLE, Director  
Division of Records & Reporting

( S E A L )

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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, February 1992), 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

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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 (4) and (5) 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 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 2/12/93.