

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

NOTICE OF DEVELOPMENT OF RULEMAKING

TO

ALL INVESTOR-OWNED ELECTRIC AND NATURAL GAS UTILITIES

ALL WATER AND WASTEWATER UTILITIES

AND

OFFICE OF PUBLIC COUNSEL

UNDOCKETED

IN RE: AMENDMENT OF RULE 25-14.004, FLORIDA ADMINISTRATIVE CODE,  
EFFECT OF PARENT DEBT ON FEDERAL CORPORATE INCOME TAX

ISSUED: June 26, 2023

NOTICE is hereby given pursuant to Section 120.54, Florida Statutes, that the Florida Public Service Commission staff has initiated rulemaking to amend Rule 25-14.004, Florida Administrative Code, to update and clarify the rule.

The attached Notice of Development of Rulemaking appeared in the June 23, 2023, edition of the Florida Administrative Register. If requested in writing and not deemed unnecessary by the agency head, a rule development workshop will be scheduled and noticed in the next available Florida Administrative Register. Written requests for a rule development workshop must be submitted to Susan Sapoznikoff at [Susan.Sapoznikoff@psc.state.fl.us](mailto:Susan.Sapoznikoff@psc.state.fl.us) by July 12, 2023. A copy of the preliminary draft rule is attached.

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By DIRECTION of the Florida Public Service Commission this 26th day of June, 2023.



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ADAM J. TEITZMAN  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399  
(850) 413-6770  
[www.floridapsc.com](http://www.floridapsc.com)

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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1        **25-14.004 Determination Effect of Parent Debt on Federal Corporate Income Tax.**

2        In Commission proceedings to establish revenue requirements or address over-earnings, ~~other than those entered~~  
3        ~~into under Rule 25-14.003, F.A.C., the federal~~ income tax expense of a regulated utility ~~company~~ must ~~shall~~ be  
4        determined using only the income of the regulated utility regardless of any ~~adjusted to reflect the income tax~~  
5        ~~expense of the parent debt that may be invested in the equity of the subsidiary where a parent-subsidiary~~  
6        ~~relationship that exists, and the parties to the relationship join in the filing of a consolidated income tax return.~~  
7        The regulated utility's stand-alone federal income tax expense will be calculated as follows:

8            (1) State corporate income taxes will be determined by multiplying the regulated utility's net income before  
9        state and federal income taxes by Florida's corporate income tax rate. ~~Where the regulated utility is a subsidiary~~  
10       ~~of a single parent, the income tax effect of the parent's debt invested in the equity of the subsidiary utility shall~~  
11       ~~reduce the income tax expense of the utility.~~

12           (2) The state corporate income taxes as calculated above will then be deducted from the regulated utility's  
13       net income before income taxes to yield the net income after state income taxes. ~~Where the regulated utility is a~~  
14       ~~subsidiary of tiered parents, the adjusted income tax effect of the debt of all parents invested in the equity of the~~  
15       ~~subsidiary utility shall reduce the income tax expense of the utility.~~

16           (3) The net income after state income taxes as calculated above will then be multiplied by the federal  
17       corporate income tax rate to yield the federal corporate income tax for the regulated utility. ~~The capital structure~~  
18       ~~of the parent used to make the adjustment shall include at least long term debt, short term debt, common stock,~~  
19       ~~cost free capital and investment tax credits, excluding retained earnings of the subsidiaries. It shall be a rebuttable~~  
20       ~~presumption that a parent's investment in any subsidiary or in its own operations shall be considered to have been~~  
21       ~~made in the same ratios as exist in the parent's overall capital structure.~~

22           (4) ~~The adjustment shall be made by multiplying the debt ratio of the parent by the debt cost of the parent.~~  
23       ~~This product shall be multiplied by the statutory tax rate applicable to the consolidated entity. This result shall be~~  
24       ~~multiplied by the equity dollars of the subsidiary, excluding its retained earnings. The resulting dollar amount~~  
25       ~~shall be used to adjust the income tax expense of the utility.~~

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

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1 *Rulemaking Authority 350.127(2) FS. Law Implemented 366.05(1), 367.121(1)(a) FS. History—New 1-25-83, \_\_\_\_\_.*

2 *Formerly 25-14.04.*

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Notice of Development of Rulemaking

[PUBLIC SERVICE COMMISSION](#)

RULE NO: RULE TITLE

Rule 25-14.004 Effect of Parent Debt on Federal Corporate Income Tax

PURPOSE AND EFFECT: To update and clarify the rule language.

Undocketed

SUBJECT AREA TO BE ADDRESSED: The assessment of tax expense in rate-making for electric, gas, water, and wastewater industries.

RULEMAKING AUTHORITY: 350.127(2), Florida Statutes

LAW IMPLEMENTED: 366.05(1), 367.121(1)(a), Florida Statutes

IF REQUESTED IN WRITING AND NOT DEEMED UNNECESSARY BY THE AGENCY HEAD, A RULE DEVELOPMENT WORKSHOP WILL BE NOTICED IN THE NEXT AVAILABLE ISSUE OF THE FLORIDA ADMINISTRATIVE REGISTER.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE DEVELOPMENT AND A COPY OF THE PRELIMINARY DRAFT, IF AVAILABLE, IS: Susan Sapoznikoff, Florida Public Service Commission, Office of the General Counsel, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, (850) 413-6630, [Susan.Sapoznikoff@psc.state.fl.us](mailto:Susan.Sapoznikoff@psc.state.fl.us).

THE PRELIMINARY TEXT OF THE PROPOSED RULE DEVELOPMENT IS AVAILABLE AT NO CHARGE FROM THE CONTACT PERSON LISTED ABOVE.