

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

NOTICE OF STAFF RULE DEVELOPMENT WORKSHOP

TO

ALL INVESTOR-OWNED ELECTRIC AND NATURAL GAS UTILITIES

ALL WATER AND WASTEWATER UTILITIES

OFFICE OF PUBLIC COUNSEL

AND

ALL OTHER INTERESTED PERSONS

UNDOCKETED

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

ISSUED: July 21, 2023

NOTICE is hereby given that a staff rule development workshop will be held at the following time and place:

Tuesday, August 15, 2023 at 9:30 a.m.
Room 148, Betty Easley Conference Center
4075 Esplanade Way
Tallahassee, FL 32399-0850

The draft rules and the agenda for the workshop are attached. One or more Commissioners may be in attendance and participate in the workshop. The person to be contacted regarding this rule development workshop is Susan Sapoznikoff, Office of the General Counsel, at (850) 413-6630 or Susan.Sapoznikoff@psc.state.fl.us.

In accordance with the Americans with Disabilities Act, persons needing a special accommodation to participate at this workshop should contact the Office of Commission Clerk no later than five days prior to the workshop at 2540 Shumard Oak Boulevard., Tallahassee, Florida 32399-0850 or 850-413-6770 (Florida Relay Service, 1-800-955-8770 Voice or 1-800-

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955-8771 TDD). Assisted Listening Devices are available upon request from the Office of Commission Clerk, Gerald L. Gunter Building, Room 152.

EMERGENCY CANCELLATION OF THE WORKSHOP

If a named storm or other disaster requires cancellation of the workshop, notice of cancellation will be provided on the Commission's website (<http://www.psc.state.fl.us>) under the Hot Topics link found on the home page. Cancellation can also be confirmed by calling the Office of the General Counsel at (850) 413-6199.

By DIRECTION of the Florida Public Service Commission this 21st day of July, 2023.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
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~~
3 ~~than those entered into under Rule 25-14.003, F.A.C., the~~ federal income tax expense of a
4 regulated utility company ~~must~~ shall be determined using only the income of the regulated
5 utility regardless of any ~~adjusted to reflect the income tax expense of the parent debt that may~~
6 ~~be invested in the equity of the subsidiary where a parent-subsidiary relationship that exists,~~
7 ~~and the parties to the relationship join in the filing of a consolidated income tax return. The~~
8 regulated utility's stand-alone federal income tax expense will be calculated as follows:
9 (1) State corporate income taxes will be determined by multiplying the regulated utility's
10 net income before state and federal income taxes by Florida's corporate income tax rate.
11 ~~Where the regulated utility is a subsidiary of a single parent, the income tax effect of the~~
12 ~~parent's debt invested in the equity of the subsidiary utility shall reduce the income tax~~
13 ~~expense of the utility.~~
14 (2) The state corporate income taxes as calculated above will then be deducted from the
15 regulated utility's net income before income taxes to yield the net income after state income
16 taxes. ~~Where the regulated utility is a subsidiary of tiered parents, the adjusted income tax~~
17 ~~effect of the debt of all parents invested in the equity of the subsidiary utility shall reduce the~~
18 ~~income tax expense of the utility.~~
19 (3) The net income after state income taxes as calculated above will then be multiplied by
20 the federal corporate income tax rate to yield the federal corporate income tax for the
21 regulated utility. ~~The capital structure of the parent used to make the adjustment shall include~~
22 ~~at least long term debt, short term debt, common stock, cost free capital and investment tax~~
23 ~~credits, excluding retained earnings of the subsidiaries. It shall be a rebuttable presumption~~
24 ~~that a parent's investment in any subsidiary or in its own operations shall be considered to~~
25 ~~have been made in the same ratios as exist in the parent's overall capital structure.~~

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

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

6 *Rulemaking Authority 350.127(2) FS. Law Implemented 366.05(1), 367.121(1)(a) FS.*
7 *History—New 1-25-83, _____. Formerly 25-14.04.*

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AGENDA

1. STAFF WELCOME AND OVERVIEW OF DRAFT RULE
2. STAKEHOLDER COMMENTS ON DRAFT RULE
3. DISCUSSION OF NEXT STEPS
4. ADJOURNMENT