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October 21, 2016

**VIA: ELECTRONIC FILING**

Ms. Carlotta S. Stauffer  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Petition of Tampa Electric Company for Approval of Accounting Treatment of  
Research and Development Tax Credit Benefits

Dear Ms. Stauffer:

Attached for filing in the above-styled matter is Tampa Electric Company's Petition for  
Approval of Accounting Treatment of Research and Development Tax Credit Benefits.

Thank you for your assistance in connection with this matter.

Sincerely

  
James D. Beasley

JDB/pp  
Attachment

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Tampa Electric Company )  
for Approval of Accounting Treatment of )  
Research and Development Tax Credit )  
Benefits. )  
\_\_\_\_\_ )

DOCKET NO. \_\_\_\_\_

FILED: October 21, 2016

**PETITION OF TAMPA ELECTRIC COMPANY  
FOR APPROVAL OF ACCOUNTING TREATMENT OF  
RESEARCH AND DEVELOPMENT TAX CREDIT BENEFITS**

Tampa Electric Company ("Tampa Electric" or "the company"), pursuant to Section 366.06, Florida Statutes, hereby petitions the Commission for approval of the company's proposed accounting treatment of research and development ("R&D") tax credit benefits and, in support thereof, says:

1. Tampa Electric is an investor-owned electric utility subject to the Commission's jurisdiction pursuant to Chapter 366, Florida Statutes. Tampa Electric serves retail customers in Hillsborough and portions of Polk, Pinellas and Pasco Counties in Florida. The company's principal offices are located at 702 North Franklin Street, Tampa, Florida 33602.

2. The persons to whom all notices and other documents should be sent in connection with this docket are:

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## **Background**

3. The R&D tax credit is a general business tax credit under the Internal Revenue Code for companies that incur research and development costs in the United States. The tax incentive is to promote qualified research within the United States so as to encourage the development of new or improved products, processes or software. The status of continuance of the tax credit has been somewhat tenuous for a number of years, having been extended on a year-by-year basis. It was set to expire in 2014 and was reinstated for 2015 as well as permanently extended by Congress in the Protecting Americans from Tax Hikes ("PATH") Act, enacted December 18, 2015.

4. R&D tax credits at Tampa Electric have been generated mostly through experimental and innovative projects, such as the Polk Reclaimed Water Project for which Tampa Electric won the Edison Electric Institute Innovation Award, as well as investments in various technologies to update legacy systems such as the Customer Relationship Management Project. The R&D tax credits provide a unique opportunity for Tampa Electric's customers to benefit from some of the innovative projects the company has successfully implemented over the years.

5. The enactment of the PATH Act, which permanently extended R&D tax credits, enabled tax consultants working jointly with Tampa Electric to perform a retroactive review of projects that might qualify for the tax credits. A new accounting system implemented in 2009 facilitated the review of potentially qualifying projects for tax years 2009 through 2015. The report prepared by the tax consultants indicates that Tampa Electric qualifies to claim R&D tax credits of \$11,065,573 associated with the aforementioned years, before applying a 50% reserve amount of \$5,532,787.

### **Proposed Accounting Treatment**

6. Tampa Electric proposes to amortize the 2009-2015 R&D tax credits over the three year period 2016 through 2018. Tampa Electric anticipates the actual amount of the tax credits will be around the amount booked net of the reserve of \$5,532,787, which is based on the review from the company's external auditors and prior rulings made by the Internal Revenue Service. In the event the Internal Revenue Service determines the R&D credits should be lower or greater than the amount booked, the company would make a corresponding adjustment to the amount amortized. The company anticipates a ruling from the Internal Revenue Service toward the end of this year or early 2017.

7. Tampa Electric submits that the three year period 2016 through 2018 is a reasonable period of time over which to amortize the allowable R&D tax credits. The credits will reduce the company's tax expense and Tampa Electric believes the proposed amortization represents sound tax planning. In addition, given the permanence of the R&D tax credits, the company will pursue all qualified R&D tax credit claims on a going forward basis. For example, 2016 includes approximately \$700,000 of R&D tax credit benefit from projects conducted in 2016.

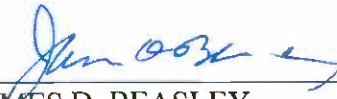
8. As can be seen from Tampa Electric's reforecasted surveillance report, the company does not anticipate year end 2016 earnings to exceed the company's allowed range of authorized return on equity, even with the significant tax benefit associated with the R&D tax credits. In this regard Tampa Electric commits that if its return on equity at year end turns out to be above the top of its allowed range with the inclusion of the booked R&D tax credits, those excess earnings would be subject to refund.

9. Tampa Electric is not aware of any disputed issue of material fact relative to the matter set forth in this petition or the relief requested.

WHEREFORE, Tampa Electric Company respectfully requests the Commission to approve the company's proposal to amortize its accumulated R&D tax credit benefits for the period 2009 through 2015 over the three year period of 2016 through 2018.

DATED this 21<sup>st</sup> day of October, 2016.

Respectfully submitted,



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