BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Consideration of the tax impacts associated with Tax Cuts and Jobs Act of 2017 for Florida Power & Light Company	Docket No: 20180046-EI Date: January 29, 2019

STIPULATIONS ON ISSUE Nos. 1-17 AND 20

Florida Power & Light Company ("FPL") and the Office of Public Counsel ("OPC") hereby agree to stipulate Issue Nos. 1-17 and 20 as set forth below. Regarding these stipulations, The Florida Industrial Power Users Group takes no position, and the Florida Retail Federation and Federal Executive Agencies have no objection.

ISSUE 1: **What is the forecasted tax expense for the tax year 2018 at a 21 percent federal corporate tax rate?**

Due to the dispute in Issue 18 over whether FPL may credit the amortization reserve with savings resulting from the Tax Cuts and Jobs Act of 2017 ("Tax Act"), the parties have agreed to stipulate to alternative positions on this Issue, with and without the credits.

FPL's forecasted tax expense for the tax year 2018 at a 21 percent federal corporate tax rate is $430.6 million with the credits, and $523.6 million without the credits.

ISSUE 2: **What is the forecasted tax expense for the tax year 2018 at a 35 percent federal corporate tax rate?**

FPL's forecasted tax expense for the tax year 2018 at a 35 percent federal corporate tax rate is $1,029.1 million.

ISSUE 3: **What is the forecasted NOI for the tax year 2018 at a 21 percent federal corporate tax rate?**

Due to the dispute in Issue 18 over whether FPL may credit the amortization reserve with savings resulting from the Tax Act, the parties have agreed to stipulate to alternative positions on this Issue, with and without the credits.

FPL's forecasted NOI for the tax year 2018 at a 21 percent federal corporate tax rate is $2,406.2 million with the credits, and $2,680.08 million without the credits.

ISSUE 4: **What is the forecasted NOI for the tax year 2018 at a 35 percent federal corporate tax rate?**

FPL's forecasted NOI for the tax year 2018 at a 35 percent federal corporate tax rate is $2,175.4 million.

ISSUE 5: **What is the forecasted capital structure for the tax year 2018 at a 21 percent federal corporate tax rate?**

Due to the dispute in Issue 18 over whether FPL may credit the amortization reserve with savings resulting from the Tax Act, the parties have agreed to stipulate to alternative positions on this Issue, with and without the credits.

FPL's forecasted capital structure for the tax year 2018 at a 21 percent federal corporate tax rate is $36,142.2 million with the credits, and $36,227.5 million without the credits.

ISSUE 6: **What is the forecasted capital structure for the tax year 2018 at a 35 percent federal corporate tax rate?**

FPL's forecasted capital structure for the tax year 2018 at a 35 percent federal corporate tax rate is $36,317.7 million.

ISSUE 7: **What is the forecasted jurisdictional adjusted base revenue requirement for the tax year 2018 using a 21 percent federal corporate tax rate?**

Due to the dispute in Issue 18 over whether FPL may credit the amortization reserve with savings resulting from the Tax Act, the parties have agreed to stipulate to alternative positions on this Issue, with and without the credits.

FPL's forecasted jurisdictional adjusted base revenue requirement for the tax year 2018 using a 21 percent federal corporate tax rate is $5,842.8 million with the credits, and $5,965.6 million without the credits. FPL's position incorporates OPC witness Smith's recommendation.

ISSUE 8: **What is the forecasted jurisdictional adjusted revenue requirement for the tax year 2018 using a 35 percent federal corporate tax rate?**

FPL's forecasted jurisdictional adjusted base revenue requirement for the tax year 2018 using a 35 percent federal corporate tax rate is $6,615.2 million.

ISSUE 9: **What is the annual jurisdictional adjusted base revenue requirement increase/decrease due to the enactment of the Tax Cuts and Jobs Act of 2017 for the tax year 2018?**

Due to the dispute in Issue 18 over whether FPL may credit the amortization reserve with savings resulting from the Tax Act, the parties have agreed to stipulate to alternative positions on this Issue, with and without the credits.

FPL's forecasted annual jurisdictional adjusted base revenue requirement decrease due to the enactment of the Tax Cuts and Jobs Act of 2017 for the tax year 2018 is $772.3 million with the credits, and $649.6 million without the credits.

ISSUE 10: **Were "protected excess deferred taxes" for 2018 using a 21 percent federal corporate tax rate appropriately calculated?**

Yes. FPL utilized ARAM to turn around the protected excess deferred income taxes over the remaining book depreciable life of the underlying assets.

<u>ISSUE 11:</u> **Were "unprotected excess deferred taxes" for 2018 using a 21 percent federal corporate tax rate appropriately calculated?**

Yes. FPL's calculations utilize 10-year straight-line amortization for property-related unprotected excess deferred taxes and cap amortization at ten years for non-property related unprotected excess deferred taxes.

<u>ISSUE 12:</u> **Were Accumulated Deferred Income Taxes (ADIT) for 2018 appropriately calculated?**

Yes.

<u>ISSUE 13:</u> **Are classifications of the excess ADIT between "protected" and "unprotected" appropriate?**

Yes.

<u>ISSUE 14:</u> **How should unprotected excess ADITs be flowed back to FPL customers?**

FPL will turn around unprotected excess deferred income taxes for the benefit of customers via base rates, over the turnaround periods consistent with Issue 11 and OPC witness Smith's recommendation, regardless of whether they relate to base rate or adjustment clause assets.

<u>ISSUE 15:</u> **How should protected excess ADITs be flowed back to FPL customers?**

FPL will turn around protected excess deferred income taxes for the benefit of customers via base revenue requirements, over the turnaround periods specified by the normalization requirements, regardless of whether they relate to base or adjustment clause assets.

<u>ISSUE 16:</u> **Should FPL seek a private letter ruling from the IRS regarding its classification of the excess ADIT relating to cost of removal/negative net salvage as "protected"?**

ISSUE WITHDRAWN.

<u>ISSUE 17:</u> **If FPL seeks a private letter ruling and the IRS rules therein (or issues other relevant guidance) that the excess ADIT relating to cost of removal/negative net salvage is to be treated as "unprotected", what process should be followed for the reclassification?**

The Parties acknowledge that FPL does not have the ability within the PowerPlan financial system to segregate the cost of removal portion of excess deferred income taxes from those of salvage, and that FPL therefore classifies the excess accumulated deferred taxes relating to cost of removal/negative net salvage as protected. If the IRS issues guidance that cost of removal/negative net salvage is to be treated as "unprotected," the Parties agree that the cost of removal/negative net salvage shall be accounted for using the Average Rate Assumption Method ("ARAM" or "protected method") and the deficient deferred taxes will be recovered over the remaining life of the asset.

ISSUE 20: **Should this docket be closed?**

Yes. Upon issuance of an order resolving all outstanding issues, this docket should be closed.

Respectfully submitted this 29th day of January 2019.

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CERTIFICATE OF SERVICE
Docket No. 20180046-EI

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic service on this 29th day of January 2019 to the following:

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