

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding to
approve rate adjustments associated with the
One Big Beautiful Bill, by Duke Energy
Florida, LLC.

DOCKET NO. 20260044-EI
ORDER NO. PSC-2026-0237-PAA-EI
ISSUED: June 23, 2026

The following Commissioners participated in the disposition of this matter:

GABRIELLA PASSIDOMO SMITH, Chairman
GARY F. CLARK
MIKE LA ROSA
BOBBY PAYNE
ANA ORTEGA

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING BASE RATE ADJUSTMENTS ASSOCIATED
WITH FEDERAL INCOME TAX LAW CHANGES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

On March 24, 2026, Duke Energy Florida, LLC (DEF) filed a petition consistent with Rule 28-106.201, F.A.C., for a limited proceeding to approve base rate adjustments resulting from federal income tax law changes associated with the One Big Beautiful Bill Act (OBBBA). This filing was made in accordance with its 2024 Settlement Agreement (2024 Settlement) approved by Order No. PSC-2024-0472-AS-EI.¹

We have jurisdiction over this matter pursuant to Sections 120.57, 366.076(1) and 366.06(3), Florida Statutes.

¹ Order No. PSC-2024-0472-AS-EI, issued November 12, 2024, in Docket No. 20240025-EI, *In re: Petition for rate increase by Duke Energy Florida, LLC*.

Decision

I. Revenue Requirement Impact of Tax Law Changes

The 2024 Settlement acknowledged that income tax amendments can take many forms which may include changes to tax rates, changes to deductibility of certain costs, and changes to the timing of deductibility of certain costs.² Paragraph 19(b) of the 2024 Settlement describes that if tax reform is enacted during the settlement term, DEF will quantify the impact of tax reform in the year which the tax reform is effective. Paragraph 19(b) in relevant part states:

If Tax Reform is enacted during the Term, DEF will quantify the impact of Tax Reform on its Florida Jurisdictional base revenue requirement as projected in DEF's forecasted earnings surveillance report for the calendar year that includes the period in which Tax Reform is effective. If Tax Reform is enacted effective for the tax years 2025 or 2026, the impacts of the Tax Reform on base revenue requirements, primarily driven by an income tax rate increase/decrease, will be adjusted for retail customers within the later of 180 days of when the Tax Reform becomes law or the effective date of the law, through a prospective adjustment to base rates upon a thorough review of the effects of the tax reform on base revenue requirements.³

The OBBBA was signed into law on July 4, 2025, and made changes to the tax treatment relating to (1) the expensing of domestic research and experimental (R&E) costs, (2) the research and development (R&D) tax credit, and (3) the expensing of employer-provided meals.⁴

Domestic R&E Expenditures

Domestic R&E expenses are costs incurred in connection with the development or improvement of products, processes or technologies. Prior to the OBBBA, domestic R&E expenses were amortized over a 5-year period. The OBBBA amended Internal Revenue Code (IRC) Section 174(a) to allow for full expensing of domestic R&E expenditures paid in taxable years beginning after December 31, 2024.

In response to staff's first data request, DEF explained its total income tax expense is not impacted, because prior to enactment of the OBBBA, the tax benefit associated with these book expenses was recorded as a reduction to deferred income tax expense. Under the OBBBA, the tax benefit is recorded to current income tax expense. Accordingly, while the characterization of the tax benefit changed from deferred to current income tax expense, there is no change to DEF's total 2025 income tax expense. An impact of expensing of domestic R&E expenditures for tax purposes on DEF's books and records is a change to the Accumulated Deferred Income Tax (ADIT) balance included in the capital structure. The tax law change increased DEF's 2025 13-month average ADIT balance by \$1,079,112, which reduced the 2025 revenue requirement by \$78,085. DEF's calculation is summarized in Table 1.

² *Id.*

³ *Id.*

⁴ One Big Beautiful Bill Act, H.R.1, 119th Congress (2025-2026). <https://www.congress.gov/bill/119th-congress/house-bill/1/text>

Table 1
Full Expensing of Domestic R&E Expenditures (2025 Tax Year)

Capitalized Section 174(e) R&E Expenditures	\$9,000,000
First Year Amortization	(900,000)
Increase in Timing Differences	\$8,100,000
13-month Average Increase in Timing Differences	4,257,692
Statutory Federal and State Rate (combined)	25.345%
Increase in Net Deferred Tax Liability	\$1,079,112
Jurisdictional Separation Factors	88.94%
Increase in Net Deferred Tax Liability	\$959,806
Mid-point WACC (Grossed up for Tax)	8.14%
Decrease in 2025 Revenue Requirement*	(\$78,085)

*May not sum due to rounding.

R&D Tax Credit

The OBBBA modified IRC Sections 41(d)(1)(A) and 280(c)(1) to reduce the R&D tax credit available to DEF for taxable years beginning after December 31, 2024. The IRC Section 41 R&D Tax Credit is a federal incentive that provides a dollar-for-dollar reduction in tax liability for businesses that perform qualified research activities in the United States. IRC Section 280(c) is a coordination provision that prevents a “double benefit” by requiring taxpayers to choose between claiming the full credit and a full deduction for the same expenses. The reduced tax credit increased DEF’s 2025 income tax expense by \$63,035, which increased the 2025 revenue requirement by \$75,297. DEF’s calculation is summarized in Table 2.

Table 2
Reduced R&D Tax Credits (2025 Tax Year)

R&D Tax Credit	\$300,168
Percent Reduction in R&D Tax Credit	21%
Reduced R&D Tax Credit	\$63,035
Jurisdictional Separation Factor	88.94%
Retail Reduced Tax Credit	\$56,066
Net Operating Income Multiplier	1.343
Increase in 2025 Revenue Requirements*	\$75,297

*May not sum due to rounding.

The net base rate revenue requirement for the 2025 tax year is a decrease of \$2,788 (\$78,085 - \$75,297). In its response to staff’s first data request, DEF stated that it does not agree that the net decrease of \$2,788 should be netted against the requested increase of \$338,970 for the 2026 tax year as each adjustment is associated with a different effective year and is evaluated independently. In support of its position DEF provided the following explanation:

The language in Paragraph 19(b) of the 2024 Settlement Agreement specifies that each adjustment is considered according to its effective year. Specifically, Paragraph 19(b) provides, in relevant part, that “If Tax Reform is enacted during the Term, DEF will quantify the impact of the Tax Reform on its Florida

Jurisdictional base revenue requirement as projected in DEF's forecasted earnings surveillance report for the calendar year that includes the period in which Tax Reform is effective."

The \$2,788 decrease shown on line 23 reflects the net impact of tax provisions that take effect in 2025. This decrease is too insignificant to have an impact on customer rates and, as a result, did not warrant a rate adjustment for that year.

In contrast, the \$338,970 increase on line 35 pertains to a separate provision that becomes effective in 2026. This increase is substantial enough to require a 2026 rate adjustment.

DEF explained that for the 2025 tax year, the \$2,788 net decrease does not have a measurable impact on customer rates and does not warrant a base rate adjustment for 2025.⁵

Elimination of Meal Expenses

Prior to the OBBBA, IRC Section 162 defined eligible meal expenses as meals that are "ordinary and necessary" for carrying on a trade or business and were subject to a 50 percent deduction (i.e., only half of the total meal expense amount was deductible).⁶ The OBBBA modified IRC Section 274(o) to eliminate the income tax deduction for employer-provided meals as defined in IRC Section 162 for tax years beginning after December 31, 2025.

DEF estimated the amount of the eligible meal expense in 2026 affected by the change of IRC 274(o) is \$1.17 million. The \$1.17 million amount represents 50 percent of the actual amount DEF forecasted to spend on meals included in total O&M expense in its 2026 Forecasted Earnings Surveillance Report. DEF explained the types of meal expenses included in the \$1.17 million are associated with employee travel, external conferences and meetings, company sponsored events, and storm and power outage restoration activities due to thunderstorms or other outage events not associated with named storms.⁷

The reduced income tax deduction increased DEF's 2026 income tax expense by \$296,537, which equates to a revenue requirement increase of \$338,970 for 2026. DEF's calculation is summarized in Table 3.

⁵ Document No. 07149-2026.

⁶ 26 U.S. Code Section 162.

⁷ Document Nos. 07149-2026 and 02723-2026.

Table 3
Elimination of Meals Deduction (2026 Tax Year)

Meals deduction (50 percent of actual)	\$1,170,000
Statutory Federal & State Tax Rate	25.345%
Retail Meals Deduction	\$296,537
Jurisdictional Separation Factor	85.12%
Income Tax Impact	\$252,398
Net Operating Income Multiplier	1.343
Increase in 2026 Revenue Requirements*	\$338,970

*May not sum due to rounding.

Based on the analysis above, DEF's calculations of the base rate revenue impact resulting from the OBBBA are consistent with the IRC and the 2024 Settlement and are hereby approved.

II. Combination with Bailey Mill Solar Base Rate Adjustment

DEF proposed to combine the tax reform adjustment of \$338,970 for the 2026 tax year with the upcoming Bailey Mill Solar Base Rate Adjustment (SoBRA). The Bailey Mill SoBRA has been approved by Order No. PSC-2025-0212-PAA-EI.⁸ The Bailey Mill solar project is expected to be operational in August 2026 and the SoBRA would be effective in September 2026. DEF stated that it will file the applicable rate adjustments and tariff sheets, itemizing both the Bailey Mill SoBRA and tax reform adjustment components, approximately two months in advance of the effective date. As DEF stated in its petition, the base rate increase associated with tax reform is immaterial and proposed to combine the tax reform base rate increase with the Bailey Mill SoBRA for administrative efficiency.

In its response to staff's second data request, DEF stated that it will notify customers of the rate changes effective September 2026 through bill inserts. DEF calculated the estimated monthly bill impact of the tax reform base rate increase on a 1,000 kilowatt-hour residential bill to be \$0.01.⁹

As proposed by DEF, Commission staff will review the tariff filing for the tax reform base rate adjustment at the time of the tariff filing for the Bailey Mill SoBRA. Given the relatively small tax change amount in the context of DEF's overall revenue requirement, processing this adjustment as a stand-alone base rate adjustment could create unnecessary administrative burden for both DEF and this Commission. In Order No. PSC-2025-0212-PAA-EI, we granted staff administrative authority to approve tariffs and associated charges for four of DEF's solar projects.

Therefore, we hereby approve DEF's request to combine the tax reform base rate adjustment with the Bailey Mill SoBRA effective September 1, 2026.

⁸ Order No. PSC-2025-0212-PAA-EI, issued June 18, 2025, in Docket No. 20250034-EI, *In re: Petition for a limited proceeding to approve first solar base rate adjustment, by Duke Energy Florida, LLC*.

⁹ Document No. 02723-2026.

III. Combination with Capacity Cost Recovery Clause

As discussed, DEF requested to include the annual tax reform base rate adjustment of \$338,970 in the Bailey Mill SoBRA beginning September 1, 2026. In addition, DEF requested to include recovery of the tax reform base rate revenue requirement impact for the period January 1, 2026, through August 31, 2026, in the Capacity Cost Recovery Clause (CCRC) as prescribed by the 2024 Settlement. The treatment of the base rate revenue requirement impact as a result of tax reform is defined in paragraph 19(b) of the 2024 Settlement, which states:

Any effects of tax reform on retail revenue requirements from the effective date through the date of the base rate adjustment shall be flowed back or collected from customers through the CCRC on the same basis as used in any base rate adjustment.¹⁰

The effective date of the change in IRC code 174(c) was January 1, 2026, and the proposed implementation date of the annual base rate adjustment of \$338,970 to be collected in the Bailey Mill SoBRA is September 1, 2026. Therefore, for the first eight months of 2026, DEF shall recover the base rate revenue requirement through the CCRC and not the Bailey Mill SoBRA. In its response to staff's first data request, DEF explained it would collect \$225,980 through the 2026 CCRC, which represents the tax reform base rate revenue requirement impact of the elimination of the meals expense deduction for the period January 1, 2026, through August 31, 2026.¹¹ The amount of \$225,980 was calculated by multiplying \$338,970 by the ratio of 8 of 12 months, or two-thirds ($\$338,970 \times 2/3 = \$225,980$).

DEF's request to include \$225,980 in the CCRC is reasonable, consistent with the 2024 Settlement, and is hereby approved.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Duke Energy Florida, LLC's calculations of the base rate revenue impacts from the OBBBA are hereby approved. The base rate revenue impacts are a net decrease of \$2,788 for the 2025 tax year, and an increase of \$338,970 for the 2026 tax year. It is further

ORDERED that DEF's request to combine the tax reform base rate adjustment with the Bailey Mill Solar Base Rate Adjustment effective September 1, 2026 is hereby approved. It is further

ORDERED that the inclusion of the tax reform base rate adjustment of \$225,980 for the period January 1, 2026 through August 31, 2026 in the Capacity Cost Recovery Clause is hereby approved. It is further

¹⁰ Order No. PSC-2024-0472-AS-EI.

¹¹ Document No. 02113-2026.

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 23rd day of June, 2026.



ADAM 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.

MRT

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 14, 2026.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.