

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited proceeding to address base rates and charges to reflect the impact of the 2021 temporary state income tax rate reduction, by Tampa Electric Company.

DOCKET NO. 20220053-EI  
ORDER NO. PSC-2022-0135-PAA-EI  
ISSUED: April 11, 2022

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman  
ART GRAHAM  
GARY F. CLARK  
MIKE LA ROSA  
GABRIELLA PASSIDOMO

NOTICE OF PROPOSED AGENCY ACTION  
ORDER GRANTING TAMPA ELECTRIC COMPANY'S  
PETITION TO CHANGE BASE RATES AND CHARGES

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

Commission Order No. PSC-2017-0456-S-EI approved Tampa Electric Company's (Tampa Electric or the Company) 2017 Amended and Restated Stipulation and Settlement Agreement (2017 Agreement).<sup>1</sup> The 2017 Agreement included provisions to address changes in federal or state corporate income taxes. In September 2019, the State of Florida temporarily reduced its corporate income tax rate from 5.5 percent to 4.458 percent retroactive to January 1, 2019. In September 2021, the State of Florida further lowered its corporate income tax rate from 4.458 percent to 3.535 percent for calendar year 2021 only. Florida's corporate income tax rate returned to 5.5 percent beginning January 1, 2022.

In 2019, to recognize the 2019 tax rate decrease, we issued Order No. PSC-2019-0524-PAA-EI on December 17, 2019, approving a base rate decrease of \$4,959,442 that included a net annual state income tax expense reduction plus the amortization over five years of estimated excess accumulated deferred state income taxes (EADSIT).<sup>2</sup> The Company's 2019 petition

<sup>1</sup>Order No. PSC-2017-0456-S-EI, issued November 27, 2017, in Docket No. 20170210-EI, *In re: Petition for limited proceeding to approve 2017 amended and restated stipulation and settlement agreement, by Tampa Electric Company.*

<sup>2</sup>Order No. PSC-2019-0524-PAA-EI, issued December 17, 2019, in Docket No. 20190203-EI, *In re: Petition for limited proceeding to reduce base rates and charges to reflect impact of the 2019 temporary state income tax reduction, by Tampa Electric Company.*

stated its calculation of the EADSIT as of December 31, 2018 was based on estimates and would be true-up after filing its 2018 state corporate income tax return.

On November 29, 2021, the Company filed a petition for a limited proceeding to reduce base rates and charges to address the 2021 temporary state income tax rate reduction and the true-up of the EADSIT. In that petition, the Company indicated it would need until the spring of 2022 to complete its calculations. On January 31, 2022, the Company filed the results of its completed calculations.

In its petition, the Company has requested that we approve its calculations of the 2021 net annual income tax expense reduction and the true-up of the estimated EADSIT amount that was calculated as of December 31, 2018. We have jurisdiction over this matter pursuant to Sections 366.04 and 366.06, Florida Statutes.

### DECISION

Paragraph 9 of the 2017 Agreement included provisions for addressing changes to federal and state corporate income tax rates. According to the 2017 Agreement, the Company's forecasted earnings surveillance report for the calendar year that includes the period in which a tax change is effective is to be used to determine the impact of the tax change. The 2017 Agreement also provides that any effects of tax reform on retail revenue requirements shall be flowed back to customers through the Energy Conservation Cost Recovery Clause (ECCR).

In September 2021, the State of Florida temporarily reduced its corporate income tax rate from 4.455 percent to 3.535 percent retroactive to January 1, 2021. The Company has determined that the net annual income tax expense reduction associated with the tax rate reduction to 3.535 is \$2,725,826 for 2021 which increases to \$3,576,854 after being grossed-up for taxes.

The Company has also determined that the revenue requirement impact of the true-up of the EADSIT that was previously calculated through December 31, 2018 is \$1,997,678 which increases to \$2,621,371 after being grossed-up for taxes. The combined total of the net annual income tax expense reduction associated with the tax rate reduction of \$3,576,854 and the true-up of the EADSIT of \$2,621,371 results in a total revenue requirement reduction of \$6,198,225. Attachment 1 shows the Company's calculation. It should be noted, the original five year amortization of the EADSIT was for the period 2019-2023. The Company's current proposal accelerates the 2022 and 2023 annual amortization amounts into its proposed credit for the 2021 ECCR true-up to the benefit of the customers. The Company has presented the calculations and the proposal to the parties to the 2017 agreement (the Office of Public Counsel, the Florida Industrial Power Users Group, the Federal Executive Agencies, the Florida Retail Federation) and to Walmart and they have no objections. The WCF Hospital Utility Alliance has been contacted but has provided no response to date.

For the reasons discussed above, we hereby approve the Company's calculation of the total revenue requirement reduction of \$6,198,225 associated with the state corporate income tax rate of 3.535 percent for 2021 and the true-up of the estimated excess accumulated deferred state income taxes that were previously calculated as of December 31, 2018, and order the Company to include the revenue requirement reduction in its 2021 ECCR true-up filing to be filed in the spring of 2022.

Based on the foregoing, it is

ORDERED that Tampa Electric Company's Petition for Limited Proceeding to Reduce Base Rates and Charges to Address Impact of the 2021 Temporary State Income Tax Rate Reduction is hereby granted as stated in the body of this order. It is further

ORDERED that the Company's calculation of the total revenue requirement reduction of \$6,198,225 associated with the state corporate income tax rate of 3.535 percent for 2021 and the true-up of the estimated excess accumulated deferred state income taxes that were previously calculated as of December 31, 2018, are hereby approved. It is further

ORDERED that the Company shall include the revenue requirement reduction in its 2021 Energy Conservation Cost Recovery Clause true-up filing to be made in the spring of 2022. It is further

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, F.A.C., is received by the Office of 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 if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of this order, this docket should be closed upon the issuance of a consummating order. If a protest is timely filed, the docket shall remain open pending resolution of the proceeding.

By ORDER of the Florida Public Service Commission this 11th day of April, 2022.



---

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.

SBr

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 May 2, 2022.

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.

**Florida State Income Tax Rate Change**  
**Estimated Annual Revenue Requirement Difference**  
**2021 Budget**

Net Operating Income (Retail Jurisdictional) at Former Tax Rate	\$	377,664,782
Net Operating Income (Retail Jurisdictional) at New Tax Rate		<u>380,390,608</u>
Impact of New Rate	\$	2,725,826
Effective Tax Rate Gross-Up Factor		<u>0.76207350</u>
<b>Revenue Requirement Change</b>	<b>\$</b>	<b>3,576,854</b>
Excess State Tax True Up	\$	1,997,678
Effective Tax Rate Gross-Up Factor		<u>0.76207350</u>
Excess State Tax True Up Revenue Requirement	\$	2,621,371
<b>Total Revenue Requirement Change</b>	<b>\$</b>	<b>6,198,225</b>