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STATE OF FLORIDA



ADRIA E. HARPER
GENERAL COUNSEL
(850)413-6199

Public Service Commission

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Seán Twomey
Sean.twomey@nexuswg.com
Dante DeStefano
Dante.destefano@corixgroup.com
Sunshine Water Services
200 Weathersfield Ave.
Altamonte Springs, FL 32714-4027

**DATA REQUEST
SENT VIA EMAIL**

Re: Docket No. 20240019-PU - Proposed Amendment of Rule 25-14.004, F.A.C., Effect of Parent Debt on Federal Corporate Income Tax.

Dear Mr. Twomey and Mr. Destefano:

As part of the rule development process in the above-referenced docket, Commission staff requests that Sunshine Water Services Company (SWS or the company) provide responses to the following questions:

1. How will the draft amendments to Rule 25-14.004, Florida Administrative Code (F.A.C.), shown in the attachment to this letter, impact the company's customer rates?
2. If a parent debt adjustment was made in the company's last rate case, what impact did it have on an average bill?
3. Has the company now, or in the last 10 years, been a parent company that has invested in the equity of a subsidiary company with which the company filed a consolidated tax return?
4. Has the company now, or in the last 10 years, been a subsidiary company that files a consolidated tax return with a parent company?
5. What are the petition dates of the last 5 general base rate cases the company has filed with the Florida Public Service Commission?
 - a. In any of those 5 cases, was an adjustment for parent debt made to the company's income tax calculation? If so, what was the adjustment amount for each applicable case?

- b. For any affirmative response in question 5(a), if a parent debt adjustment had not been made, how much longer does the company believe it could have waited to bring its next rate case?
6. Does the current parent debt adjustment in Rule 25-14.004, F.A.C., adversely affect the company? If so, how?

Please file the responses to this data request **no later than April 2, 2026**, in Docket No. 20240019-PU. If you have any questions, feel free to contact me by telephone at (850) 413-6524 or via email at zbloom@psc.state.fl.us.

Sincerely,



Zachary Bloom
Attorney

ZB/jc

cc: Office of Commission Clerk

Attachment

1 **25-14.004 Determination Effect of Parent Debt on Federal Total Corporate Income**
2 **Tax.**

3 In Commission proceedings to establish revenue requirements or address over-earnings,
4 ~~other than those entered into under Rule 25-14.003, F.A.C., the income tax expense of a~~
5 regulated utility company must shall be determined using only the income of the regulated
6 utility regardless of any adjusted to reflect the income tax expense of the parent debt that may
7 be invested in the equity of the subsidiary where a parent-subsidiary relationship that may
8 exists, and the parties to the relationship join in the filing of a consolidated income tax return.
9 The regulated utility's stand-alone income tax expense will be calculated as follows:

10 (1) State corporate current income taxes will be determined by multiplying the regulated
11 utility's state taxable income before state and federal income taxes by Florida's corporate
12 income tax rate, plus or minus any applicable tax adjustments or credits in accordance with
13 applicable state income tax laws and regulations. Where the regulated utility is a subsidiary of
14 a single parent, the income tax effect of the parent's debt invested in the equity of the
15 subsidiary utility shall reduce the income tax expense of the utility.

16 (2) The state current corporate income taxes as calculated above will then be deducted
17 from the regulated utility's federal income before income taxes to yield the federal taxable
18 income after state income taxes. Where the regulated utility is a subsidiary of tiered parents,
19 the adjusted income tax effect of the debt of all parents invested in the equity of the subsidiary
20 utility shall reduce the income tax expense of the utility.

21 (3) The federal taxable income after state current income taxes as calculated above will
22 then be multiplied by the federal corporate income tax rate, plus or minus any applicable tax
23 adjustments or credits in accordance with applicable federal income tax laws and regulations,
24 to yield the federal current corporate income tax for the regulated utility. The capital structure
25

1 ~~of the parent used to make the adjustment shall include at least long term debt, short term debt,~~
2 ~~common stock, cost free capital and investment tax credits, excluding retained earnings of the~~
3 ~~subsidiaries. It shall be a rebuttable presumption that a parent's investment in any subsidiary~~
4 ~~or in its own operations shall be considered to have been made in the same ratios as exist in~~
5 ~~the parent's overall capital structure.~~

6 (4) Federal and state deferred income tax expenses for the regulated utility will be
7 determined based on the applicable temporary adjustments to taxable income multiplied by the
8 respective federal and state corporate income tax rates, plus or minus any applicable tax
9 adjustments or credits in accordance with applicable federal and state income tax laws and
10 regulations. ~~The adjustment shall be made by multiplying the debt ratio of the parent by the~~
11 ~~debt cost of the parent. This product shall be multiplied by the statutory tax rate applicable to~~
12 ~~the consolidated entity. This result shall be multiplied by the equity dollars of the subsidiary,~~
13 ~~excluding its retained earnings. The resulting dollar amount shall be used to adjust the income~~
14 ~~tax expense of the utility.~~

15 (5) Total income tax expense for the regulated utility will be determined by adding the
16 amounts calculated in subsections (1), (3), and (4) above.

17 *Rulemaking Authority 350.127(2) FS. Law Implemented 366.05(1), 367.121(1)(a) FS.*

18 *History—New 1-25-83, Formerly 25-14.04. Amended _____*