



Dianne M. Triplett  
Deputy General Counsel

April 2, 2026

**VIA ELECTRONIC FILING**

Adam J. Teitzman, Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

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

Dear Mr. Teitzman:

Please find attached for electronic filing Duke Energy Florida, LLC's Response to Staff's First Data Request.

Thank you for your assistance in this matter and if you have any questions, please feel free to contact me at (727) 820-4692.

Sincerely,

*/s/ Dianne M. Triplett*

Dianne M. Triplett

DMT/clg  
Attachment

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via electronic mail to the following this 2nd day of April, 2026.

/s/ Dianne M. Triplett

Attorney

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**DUKE ENERGY FLORIDA, LLC'S (DEF), RESPONSE TO  
STAFF'S FIRST DATA REQUEST REGARDING PROPOSED AMENDMENT OF RULE  
25-14.004, FLORIDA ADMINISTRATIVE CODE (F.A.C.), EFFECT OF PARENT DEBT  
ON FEDERAL CORPORATE INCOME TAX**

**Docket No. 20240019-PU**

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?

**Response:**

DEF believes the company should not be required to make the parent debt adjustment under the existing rule, and therefore, there would be no impact on customer rates due to the amendments. Company witness Karl Newlin explained in DEF's 2024 rate case filing (Docket No. 20240025) that DEF funds its operations through retained earnings and the issuance of its own debt and that no outstanding parent debt has been used to make equity contributions to DEF as follows:

In 2009, Progress Energy, Inc. issued \$750 million of Senior Notes, in which a portion of the proceeds was used to fund DEF's capital expenditures through a \$620 million equity contribution. Over the period of the next three years (2010-2012), DEF sent dividends totaling \$730 million back to the parent company, essentially returning the capital that was infused from the parent in 2009. Additionally, the \$750 million Progress Energy, Inc. 2009 bond issuance used to partially fund DEF consisted of two tranches which matured in 2014 and 2019. The debt is no longer on the parent company's books, and therefore no tax deduction has been taken on this debt since all tranches have now matured. No equity contributions have been made to DEF since 2009 and the parent debt used to make any historical equity contributions has since matured. DEF, therefore, has demonstrated the rebuttable presumption even under the current rule. DEF should not be required to recognize the impacts of its parent company's debt. Duke Energy merged with Progress Energy, Inc. in 2012. Again, since then, Duke Energy has purchased additional businesses such as Piedmont and acquired and sold a number of commercial businesses. The capital structure of the parent is diluted by additional strategic transactions and capital raising activities and it should not be considered in determining DEF's revenue requirement. These investments have nothing to do with DEF's capital structure.

2. If a parent debt adjustment was made in the company's last rate case, what impact did it have on an average bill?

**Response:**

Response: DEF agreed to include a parent-debt adjustment to income tax expense of \$7,444,000 as part of its global 2024 Settlement Agreement, approved in Order No. PSC-2024-0472-AS-

EI. When grossed up by the 1.34328 multiplier, this results in a revenue requirement impact of exactly \$10,000,000. When dividing this amount by retail sales of approximately 40,000,000 MWh, the average bill impact is approximately \$.25.

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?

**Response:**

No.

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?

**Response:**

Yes, DEF's parent company, Duke Energy Corporation, has been filing consolidated tax returns for itself and its subsidiaries for decades.

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?

**Response:**

- (1) April 2, 2024: Docket No. 20240025
- (2) March 20, 2009: Docket No. 20090079
- (3) September 14, 2001: Docket No. 20000824
- (4) January 31, 1992: Docket No. 19910890
- (5) February 1, 1984: Docket No. 19830470

- a. The only time DEF was ordered to make an adjustment for parent debt was in the 2009 rate case. The adjustment to income tax expense was \$14,487,526 per Order No. PSC-2010-0131-FOF-EI.
- b. The order in DEF's 2009 rate case denied DEF's entire rate request outside of an interim rate increase associated with repowering the Bartow power plant. DEF was preparing to file another rate case on the heels of receiving the order from the 2009 rate case, but DEF was successful in engaging in settlement agreements until the 2024 rate

case filing. DEF has been including parent debt adjustments in its earnings surveillance reports since 2010.

6. Does the current parent debt adjustment in Rule 25-14.004, F.A.C., adversely affect the company? If so, how?

**Response:**

Yes, the parent debt adjustment adversely affects DEF, because it doesn't allow the company to earn its authorized return on equity. Witness Karl Newlin explained this in his direct testimony in DEF's 2024 rate case as follows:

The Company believes, however, that the rule is obsolete because the rule does not reflect the way regulated utilities like DEF now calculate income tax. The existing rule imputes the tax effect of parent interest that may never be deductible by the subsidiary for tax purposes. However, this imputed effect is unnecessary because prior to making the parent debt tax adjustment, the utility is making an interest reconciliation adjustment to recognize the interest that is inherent in the utility's FPSC-adjusted capital structure. This provides a match between capital structure interest and the tax effect considered in cost of service. Assuming the capital structure has been determined properly, the utility's interest has been properly addressed. Because the capital structure of a utility is always an issue in litigated base rate proceedings, it is fair to assume that each utility's capital structure has been properly set. The current rule is one-sided in its application, and results in the utility not being allowed the opportunity to recover its costs and earn its authorized ROE. Debt incurred by the parent is assumed to be that of the utility as a rebuttable presumption under the Commission rule but other capital components of the parent, retained earnings of its subsidiaries for example, are not recognized. The Company forecasts that this adjustment will continue to grow in a material manner over the next several years and believes a more reasonable approach is to compute DEF's tax expense on a stand-alone basis without making this adjustment.

It is important to note that the formula for calculating the debt ratio of the parent in Rule 25-14.004, F.A.C., ignores the retained earnings component of common equity, yet it includes the reduction to common equity that results from paying dividends. In DEF's 2024 rate case filing, MFR C-24 demonstrated that ignoring retained earnings caused the parent to essentially run out of common equity by 2026, which is not the case. Ignoring retained earnings results in an ever-increasing weighted debt cost of the parent, and therefore, an ever-increasing parent debt adjustment at the utility, even though retained earnings are a material component of common equity.