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| State of Florida  pscSEAL | | Public Service Commission  Capital Circle Office Center ● 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0850  -M-E-M-O-R-A-N-D-U-M- | |
| DATE: | November 29, 2018 | | |
| TO: | Office of Commission Clerk (Stauffer) | | |
| FROM: | Division of Accounting and Finance (Cicchetti, Barrett, D. Buys, Fletcher, Hightower, Mouring)  Division of Economics (Merryday)  Division of Engineering (Ellis)  Office of the General Counsel (Nieves, Schrader) | | |
| RE: | Docket No. 20180048-EI – Consideration of the tax impacts associated with Tax Cuts and Jobs Act of 2017 for Florida Public Utilities Company - Electric. | | |
| AGENDA: | 12/11/18 – Regular Agenda – Parties May Participate | | |
| COMMISSIONERS ASSIGNED: | | | Graham, Brown, Clark |
| PREHEARING OFFICER: | | | Brown |
| CRITICAL DATES: | | | None |
| SPECIAL INSTRUCTIONS: | | | None |

Case Background

The Florida Public Service Commission (Commission) opened Docket No. 20180048-EI on February 21, 2018 to consider the tax impacts affecting Florida Public Utilities Company (FPUC) as a result of the passage of the Tax Cuts and Jobs Act of 2017. The Order Establishing Procedure, Order No. PSC-2018-0211-PCO-EI, was issued on April 25, 2018, in which controlling dates were set for filing testimony, exhibits, and discovery. The First Order Revising Order Establishing Procedure, Order No. PSC-2018-0280-PCO-EI, was issued on June 1, 2018, in which the discovery procedures and controlling dates were modified. A Second Order Revising Order Establishing Procedure, Order No. PSC-2018-0471-PCO-EI, was issued on September 21, 2018, to allow FPUC to file revised and supplemental testimony and also to extend the controlling dates for Intervenor Testimony.

On October 17, 2018, FPUC and OPC (collectively, Parties) filed a Joint Motion with the Commission to suspend the procedural schedule in this Docket (Joint Motion). The Order Granting Joint Motion to Suspend Procedural Schedule, Order No. PSC-2018-0504-PCO-EI, was issued on October 19, 2018.

On October 18, 2018, the parties filed the Joint Motion of Florida Public Utilities Company and Office of Public Counsel for approval of 2018 Tax Settlement. In their Joint Motion, the Parties asserted that the Commission’s approval of the 2018 Tax Settlement would resolve all issues in this docket and that such approval would obviate the need for further testimony and a full hearing in this docket.

The TCJA results in an annual savings of $638,158 to FPUC’s net operating income (NOI). For calendar year 2018, the annual NOI tax savings will be flowed through to recover incremental storm costs. Effective January 1, 2019, FPUC will apply the annual NOI tax savings of $638,158 as a permanent base rate reduction. The parties agreed that the grossed-up, “protected” Excess Accumulated Deferred Income tax (“EADIT”) balance is a deferred regulatory tax liability in the amount of $7,155,154. The “protected” EADIT for 2018, in the estimated annual amount of $288,230, will be applied to the Company’s existing fuel and purchased power cost recovery balance. As of January 1, 2019, the “protected” EADIT will be applied to the storm reserve along with any additional accrual. Effective January 1, 2021, FPUC will apply the “protected” EADIT annual amount of $288,230 as a permanent base rate reduction. The grossed-up “unprotected” EADIT amount of $538,064 will be applied to reduce FPUC’s existing fuel and purchased power cost recovery balance and further reduces FPUC’s fuel cost recovery factors in 2019.

The Parties also requested that the Commission consider the 2018 Tax Settlement at its December 2018 Agenda Conference. The Parties asserted that consideration of the 2018 Tax Settlement on this date would enable this matter to proceed, in the event the Commission does not approve the Settlement, to the current February 2019 hearing dates already established in this docket.

At this time, it is appropriate for the Commission to discuss and vote on whether to approve the 2018 Tax Settlement as requested in the Joint Motion for Approval of the 2018 Tax Settlement. The Joint Motion of Florida Public Utilities Company and Office of Public Counsel for approval of the 2018 Tax Settlement is attached.