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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, D. Buys, Fletcher, Hightower, Mouring)  Division of Economics (Guffey)  Division of Engineering (Ellis)  Office of the General Counsel (Davis, Nieves) | | |
| RE: | Docket No. 20180154-GU – Petition for limited proceeding to consider the tax impacts associated with the Tax Cuts and Jobs Act of 2017 for Florida City Gas. | | |
| 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

On March 12, 2018, the Office of Public Counsel (OPC), the Federal Executive Agencies (FEA), and Florida City Gas (FCG) filed a joint motion in support of their Stipulation and Settlement Agreement (SSA) to resolve all matters in Docket No. 20170179, FCG’s petition for a rate increase and approval of their depreciation study. The Commission approved the SSA in Order No. PSC-2018-0190-FOF-GU. The SSA, among other things, reflected the Parties’ agreement that the issue of the finalized amount of “protected” and unprotected” excess deferred taxes and the flow back period of the excess “protected” deferred taxes, would be determined and trued-up either by submission of a later agreement or the initiation of a limited scope proceeding.

The Florida Public Service Commission (Commission) opened Docket No. 20180154-GU on August 13, 2018 to consider the tax impacts affecting FCG as a result of the passage of the Tax Cuts and Jobs Act of 2017. The Order Establishing Procedure, Order No. PSC-2018-0472-PCO-GU, was issued on September 24, 2018, in which controlling dates were set for filing testimony, exhibits, and discovery.

On October 8, 2018, FCG, OPC, and FEA (collectively, Parties) filed a Joint Motion for Approval of Stipulation and Settlement Regarding Remaining Excess Accumulated Deferred Income Tax Issues (2018 EADIT Agreement). On October 15, 2018, the Parties filed another Joint Motion with the Commission to temporarily suspend the procedural schedule in this Docket (Joint Motion). Order No. PSC-2018-0509-PCO-GU approved the parties Joint Motion and the procedural schedule in this docket was suspended.

The 2018 EADIT Agreement reclassified $1.6 million of excess accumulated deferred income taxes from “protected” to “unprotected” with an amortization period of five (5) years resulting in an annual amortization of $304,943. For 2018, FCG agreed to request authority to apply a levelized Purchased Gas Adjustment credit each month during 2019 to reflect the 2018 amortization of $304,943. FCG agreed to implement a base rate reduction of $304,943, beginning January 1, 2019. FCG classified the deficient deferred taxes relating to cost of removal/negative net salvage as protected. FCG agreed that if the IRS issues guidance that cost of removal/negative net salvage is to be treated as “unprotected,” it is agreed that the cost of removal/ net salvage shall be accounted for using the Average Rate Assumption Method and the deficient deferred taxes will be recovered over the remaining life of the asset.

The Parties seek the Commission’s approval of the 2018 EADIT Agreement which resolves all issues in this docket. Such approval would obviate the need for further testimony and a full hearing in this docket.

At this time, it is appropriate for the Commission to discuss and vote on whether to approve the Stipulation and Settlement Agreement as requested in the Joint Motion for Approval of Settlement Agreement. The Joint Motion of Florida City Gas, The Office of Public Counsel, and Federal Executive Agencies for approval of the Stipulation and Settlement regarding remaining excess accumulated deferred income tax issues is attached.