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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20240019-PU

PROPOSED AMENDMENT OF RULE 25-14.004,  
F.A.C., EFFECT OF PARENT DEBT ON  
FEDERAL CORPORATE INCOME TAX.

PROCEEDINGS: COMMISSION WORKSHOP

COMMISSIONERS  
PARTICIPATING: CHAIRMAN GABRIELLA PASSIDOMO SMITH  
COMMISSIONER GARY F. CLARK  
COMMISSIONER MIKE LA ROSA  
COMMISSIONER BOBBY PAYNE  
COMMISSIONER ANA ORTEGA

DATE: Wednesday, April 22, 2026

TIME: Commenced: 9:30 a.m.  
Concluded: 11:28 a.m.

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK  
Court Reporter and  
Notary Public in and for  
the State of Florida at Large

PREMIER REPORTING  
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1 APPEARANCES:

2 CHRISTOPHER T. WRIGHT - Florida Power & Light Company

3 STEPHANIE CUELLO and MARCIA OLIVIER - Duke Energy  
4 Florida, LLC

5 BETH KEATING - Florida City Gas and Florida Public  
6 Utilities Company

7 J. JEFFREY WAHLEN - Tampa Electric Company, Peoples Gas  
8 Company & Sunshine Water Services

9 JARED DEASON - American Water Works

10 WALT TRIERWEILER, PUBLIC COUNSEL, CHARLES REHWINKEL,  
11 DEPUTY PUBLIC COUNSEL - Citizens of the State of Florida  
12 (OPC)

13 BRADLEY MARSHALL and JORDAN LUEBKEMANN - Florida Rising  
14 Inc.

15 SUSAN SAPOZNIKOFF, ZACHARY BLOOM & MARK CICCHETTI -  
16 Staff

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1 P R O C E E D I N G S

2 CHAIRMAN SMITH: Okay. Good morning,  
3 everyone. Today is Wednesday, April 22nd, 2026.  
4 It is 9:32 a.m. I will now convene this rule  
5 development workshop.

6 Staff, will you please read the notice?

7 MR. BLOOM: By notice dated April 2nd, 2026,  
8 this time and place has been set for the Commission  
9 workshop on Docket No. 20240019-PU. The purpose of  
10 this workshop is to gather more information on the  
11 potential amendments to Rule 25-14.004, Florida  
12 Administrative Code, which addresses calculating  
13 the income tax expense of a regulated utility and  
14 which currently requires using the income tax  
15 expense of debt its parent company has invested in  
16 it.

17 CHAIRMAN SMITH: Thank you, Mr. Bloom.

18 Yeah, as Mr. Bloom stated, today's workshop we  
19 will be gathering stakeholder comments regarding  
20 potential amendments to Rule 25-14.001. For those  
21 watching on-line, a copy of the draft amendments  
22 and materials for today's workshop are on the  
23 Commission's website under the rule development  
24 tab.

25 Today's workshop will be structured as

1 follows: First, we are going to take appearances.  
2 Then we will -- staff will give a formal  
3 presentation on the history, current impact of and  
4 suggested amendments to the parent debt rule.  
5 Certain stakeholders have requested to give formal  
6 presentations as well, and those will take place  
7 after staff's.

8 Next we will move to our third agenda item,  
9 Topics for Discussion. During this portion of the  
10 workshop, each stakeholder will address the nine  
11 questions that were included as part of the agenda  
12 for this workshop. After all stakeholders have  
13 made -- had an opportunity to respond to the  
14 Commission's questions, staff will outline the next  
15 steps in the rulemaking process.

16 Does anyone have any questions before we get  
17 started? Okay. Seeing none, let's move to --  
18 let's take appearances. We are going to start just  
19 like how we usually do, just down the line, so, Mr.  
20 Wright.

21 MR. WRIGHT: Good morning, Madam Chair and  
22 Commissioners. Christopher Wright on behalf of  
23 Florida Power & Light.

24 MS. CUELLO: Good morning. Stephanie Cuello  
25 on behalf of Duke Energy.

1 MS. OLIVIER: Good morning. Marcia Olivier on  
2 behalf of Duke Energy.

3 MS. KEATING: Good morning. Beth Keating with  
4 the Gunster firm here for FPUC and Florida City  
5 Gas.

6 MR. WAHLEN: Good morning. Jeff Wahlen,  
7 Ausley McMullen law firm, for Tampa Electric,  
8 Peoples Gas and Sunshine Water.

9 MR. DEASON: Jared Deason on behalf of  
10 American Water Works Corporation.

11 MR. MARSHALL: Good morning. Bradley Marshall  
12 and Jordan Luebke on behalf of Florida Rising.

13 MR. REHWINKEL: Good morning, Charles  
14 Rehwinkel with the Office of Public Counsel on  
15 behalf of the customers of the investor-owned  
16 utilities. Walt Trierweiler, the Public Counsel is  
17 also in the room. Thank you.

18 MR. BLOOM: And Susan Sapoznikoff, Zachary  
19 Bloom and Mark Cicchetti on behalf of staff.

20 CHAIRMAN SMITH: Thank you.

21 Is there anyone else in attendance that would  
22 like to introduce themselves and then present?  
23 Okay. All right, seeing none.

24 We are going to move to the formal  
25 presentations. We will start with staff's

1 presentation, which will be given by Mark  
2 Cicchetti.

3 Mr. Cicchetti, you are -- you may begin  
4 whenever you are ready.

5 MR. CICHETTI: Good morning, Madam Chair and  
6 Commissioners, Rule 24-14.004, the Effect of Parent  
7 Debt on Federal Corporate Income Taxes adjusts a  
8 utility's income tax expense based on debt at the  
9 parent company level.

10 The rule is a variant of double leverage, and  
11 I will explain more what double leverage is as we  
12 get into the presentation. But double leverage has  
13 largely disappeared from regulatory practice. It  
14 was a big issue back in the '70s and the '80s, but  
15 regulation both at the federal and state level has  
16 moved to the stand-alone methodology of setting  
17 utility rates. And I will explain what stand-alone  
18 is also as we move on.

19 But first, this slide is the rule as it  
20 currently exists, and I only point it out here  
21 because I want to direct your attention to a couple  
22 of sections of the rule.

23 In the second paragraph, under one, the second  
24 part of that sentence is: The income tax effect of  
25 the parent's debt invested in the equity of the

1 subsidiary shall reduce the income tax expense of  
2 the utility. And I just want to keep that in mind  
3 when we talk about stand-alone regulation.

4 The second thing I want to point out is in  
5 section four, the next to the last sentence says:  
6 This result shall be multiplied by the equity  
7 dollars of the subsidiary, excluding its retained  
8 earnings. And I point that out because this is  
9 going to support why the double leve -- or why the  
10 parent debt adjustment is a variant of double  
11 leverage.

12 So what is the stand-alone approach to setting  
13 utility rates? Well, it's basically to target just  
14 the revenues and expenses associated with the  
15 regulated utility. And the principle is to avoid  
16 the utility either subsidizing nonregulated  
17 investment or being subsidized by nonregulated  
18 investment.

19 So think of two utilities that are exactly the  
20 same, the same revenues, expenses, the same cost of  
21 service, the same capital structure, the same risk  
22 and, therefore, the same required return, except  
23 one has individual shareholders and the other is  
24 owned by a parent company.

25 Well, because of the parent debt rule, the

1 Commission would set the rates for those exactly  
2 the same utilities that have the exact cost of  
3 service differently. And why is that? Because we  
4 are -- the parent has debt on its balance sheet,  
5 the rule requires that that, through the  
6 calculation, reduce the income tax expense of the  
7 utility that has a parent company, which is  
8 discriminatory, for one thing, between individual  
9 shareholders and a parent held company. But why --  
10 what's the basis of that adjustment?

11 And the whole theory about behind double  
12 leverage was that the cost to the parent company  
13 having that debt and investing it into the utility  
14 is actually lower than the cost of just the  
15 utility's weighted average cost of capital.

16 So in a classic double leverage investment,  
17 the weighted average cost of capital of the parent  
18 company would be used as the return on equity for  
19 the utility. And once that got, you know, academic  
20 scrutiny, the fallacy of that was that the return  
21 on equity of the utility should be based on the  
22 risk that that capital is exposed to, and how the  
23 Commission sets rates is that allowed return on  
24 equity should be the same as allowed return for  
25 comparable companies of similar risk. And so the

1 cost is based on the risk that the capital is  
2 exposed to, not where the source of the funds came  
3 from.

4 For example, if you took out a second mortgage  
5 or a first mortgage in order to invest in this  
6 utility, would you want someone saying, well, you  
7 can't deduct that income tax expense or interest  
8 expense on your federal tax return because we are  
9 going to give that to the utility. So we wouldn't  
10 consider taking the income tax benefit of the  
11 interest expense for the utility and giving it to  
12 the parent company. But the same logic prevails,  
13 we shouldn't take the parent company's tax benefit  
14 and give it to the regulated utility. So even if  
15 they were the same in every instance with the  
16 parent debt adjustment, we would set different  
17 rates.

18 So let's talk about what exactly double  
19 leverage is. The double leverage approach traces  
20 the operating utility's equity capital to its  
21 ultimate source, the parent's debt and equity. And  
22 this approach has several variants, including the  
23 parent debt adjustment.

24 Now, I am quoting here from a book by Roger  
25 Moore, Modern Regulatory Finance, and there is a

1 modified double leverage approach. And what the  
2 modified double leverage approach says is: One  
3 refinement to the double leverage method is to  
4 recognize that the parent's weighted cost of  
5 capital should only be imputed to the portion of  
6 equity actually contributed by the parent. The  
7 subsidiary's retained earnings should be removed  
8 from the double leverage imputation since none of  
9 the subsidiary's retained earnings are traceable to  
10 the capital raised by the parent.

11 So if we go back to the first slide with the  
12 rule, and in section four there, the rule says the  
13 results shall be multiplied by the equity dollars  
14 of the subsidiary excluding its retained earnings.  
15 So when we are looking at the parent debt  
16 adjustment, we are looking to the debt at the  
17 parent level and capital structure of the utility.  
18 And so it's a version of the double leverage  
19 approach. And the required return on equity, as I  
20 said, is a function of the risk that the assets are  
21 exposed to and not just the sources of the capital.

22 So the history of the rule is such that prior  
23 to the rule, the Commission typically relied on the  
24 stand-alone method. And in Citizens/Hawkins, the  
25 Supreme Court first addressed the stand-alone

1 method versus the double leverage method, and the  
2 only testimony filed in the case was filed in  
3 support of the double leverage methodology. And so  
4 the court ruled that the Commission had  
5 jurisdiction and the only evidence was supporting  
6 the double leverage adjustment. There was no  
7 ruling on the merits of the parent debt adjustment  
8 or double leverage, just that the Commission had  
9 jurisdiction and that was the evidence in the  
10 record.

11 Also, the rule was challenged in General  
12 Telephone Company of Florida versus the Florida  
13 Public Service Commission and, again, it was a  
14 similar situation. So there are no court rulings  
15 that have weighed in -- Florida Supreme Court  
16 rulings that have weighed in on the merits of the  
17 adjustment, just that the Commission has the  
18 discretion to make that adjustment.

19 And so what are the arguments against the  
20 parent debt adjustment? Well, the utility will not  
21 recover its actual cost of service. Think back to  
22 when we talked about two exact utilities. One is  
23 going to have a higher revenue requirement than the  
24 other because the rule reaches out and takes debt  
25 at the parent level and uses it, that tax benefit,

1 to reduce the income tax expense of the utility.

2 So, in essence, it's an adjustment to the  
3 allowed return, and this is not good from the  
4 Commission's perspective from an investment  
5 standpoint, because it's a situation where the  
6 Commission allows a return and then has a rule that  
7 says, well, we are going to limit your ability to  
8 earn that return.

9 So also consider that in a rate case, the  
10 utility's capital structure is before the  
11 Commission. The Commission looks that a utility  
12 has issued its own debt. We have the percentages  
13 of debt and equity in the capital structure. The  
14 Commission rules on those, and so we have a  
15 weighted average cost of capital for the regulated  
16 utility. Why, then, do we reach back to the parent  
17 and then use that amount to reduce? That violates  
18 the stand-alone amendment. It violates the  
19 financial theory that the return should be a  
20 function of the risk that the capital is exposed to  
21 and not the source of the funds.

22 So in the long run, having utilities  
23 under-recover their cost of service will lead to  
24 higher risk and, therefore, a higher required  
25 return. Because think about it, if you could just

1           reduce their cost of service by one or two percent  
2           and there were no consequences, why stop at one or  
3           two percent? Let's reduce them 20 percent, or  
4           40 percent. No, when you don't allow the utility  
5           to recover its cost of service, it eventually will  
6           increase the risk of the utility and the overall  
7           cost of funds, and potentially their ability to  
8           attract capital if it's a large enough investment.

9           So finally, the provisions that we are -- the  
10          amendments that we are recommending calculate the  
11          income tax expense as we normally would for a  
12          company that has individual shareholders. And that  
13          would be doing the income tax expense on a  
14          stand-alone basis, and we would just no longer make  
15          the parent debt adjustment.

16          So the rule, the final few slides here, are  
17          the changes that would need to be made to the rule  
18          so that it makes explicitly, you have the revenues  
19          minus expenses, so, therefore, you have your  
20          profit. That profit is going to be taxed at the  
21          state and the corporate -- at the state and the  
22          federal level, and that's the cost of service that  
23          will be passed on to customers.

24                   And that concludes my presentation.

25                   CHAIRMAN SMITH: All right. Thank you Mr.

1 Cicchetti.

2 Do any of the stakeholders have any comments  
3 regarding staff's presentation?

4 Okay. So now we are going to move to  
5 stakeholder presentations. We will start with OPC.

6 So, Mr. Rehwinkel, you are recognized whenever  
7 you are ready.

8 MR. REHWINKEL: Thank you, Madam Chairman.  
9 And I may emesh some comments in my comments here  
10 about staff presentation here today.

11 I am Charles Rehwinkel. I am here on behalf  
12 of the Office of Public Counsel representing the  
13 ratepayers of Florida's investor-owned electric,  
14 gas and water utilities.

15 Commissioners, this is usually the place where  
16 I would thank you for the opportunity to make these  
17 remarks. However, if you saw our comments that we  
18 filed last week, the essence and the tone of our  
19 remarks, we don't really appreciate having to  
20 appear here at all. And once again, fight off and  
21 keep a bedrock battle-tested nearly half-century  
22 old affiliate transaction protection that has saved  
23 customers hundreds of millions of dollars since at  
24 least the late 1970s.

25 The customers are, likewise, battle-tested,

1 but we are also battle-weary from continually  
2 fighting off this, what seems to us, to be an  
3 antagonistic repeal effort alongside base rate  
4 increases, excessive profits, ever creative clause  
5 increases, increase shareholder extractions on  
6 asset gains funded by customers, and extra revenue,  
7 even, that the company did not even ask for in  
8 their filings. Increasingly to us, the headline  
9 is, heads, the shareholder wins, tails, the  
10 customer loses.

11 I am not going to belabor and repeat the  
12 written remarks we filed last week. I would  
13 commend them to you if you have not seen them. We  
14 would have preferred to see that the staff  
15 generated effort brought to an agenda to be  
16 terminated, not workshopped. To us, the workshop  
17 is a strong signal that the goalpost will be yet  
18 again moved, and the recent fourth, fifth or sixth  
19 iterations of tried to eliminate this consumer  
20 protection rule will not be the last.

21 Let me briefly review the long struggle to  
22 raise customer bills in this repeal effort.

23 No. 1, in 1988, your staff had proposed  
24 repeal, but that went nowhere. The Commission  
25 voted them down. Now, staff has said, that wasn't

1           voted down. It was deferred. That -- we will take  
2           another 33-year deferral if that's what it takes.  
3           To us, 33-year deferral means rejected.

4           The second repeal effort in 1990, some  
5           utilities took a run at the rule by claiming that  
6           it was a potential normalization violation arising  
7           out of a proposed treasury regulation that was  
8           directed at cracking down on consolidated tax  
9           return adjustments in other states, not Florida.

10          The Public Counsel, your legal director, your  
11          director of tax, went to Washington. We defended  
12          the PDA in testimony before the Treasury  
13          Department. The OPC and the Commission tax  
14          director later also testified before Congress  
15          supporting this rule.

16          The upshot, Treasury withdrew the proposed  
17          regulation for other reasons, and also indicated to  
18          us in that original testimony session that the PDA  
19          was not a consolidated tax savings and was not a  
20          normalization violation. They were actually quite  
21          baffled at why this Florida rule was even tangled  
22          up in that regulation process.

23          No. 3, 33 years passed, as mentioned in our  
24          comments in 2023, the staff held a workshop and  
25          proposed repeal, and cited some so-called new

1 information. We did some digging and discovered  
2 that the new information was neither new, it was  
3 public knowledge as far back as 1983  
4 contemporaneous with the public -- with the PDA  
5 rule's challenge in the courts, nor was that  
6 relevant to this rule. And it was pushed by a  
7 treatise by a biased utility centric source. That  
8 aspect of the effort was addressed in our September  
9 2023 comments, which we have attached to our  
10 comments from last week.

11 Nos. 4 and 5; in 2024 in the midst of several  
12 parallel rate case proceedings, the repeal effort  
13 came to Agenda and was argued and deferred, and  
14 then argued and deferred again. That was in March  
15 and July of 2024. The transcripts of our remarks  
16 are found in this docket at documents 01222-2024,  
17 beginning at page three -- page four, and  
18 07705-2024 beginning at page three. Concerns about  
19 rate impacts appear, to us, to cause those two  
20 deferrals that we are here today.

21 In the sixth repeal effort, at weigh station  
22 six now. Just like in August of 2023, we had  
23 another workshop. New goalpost is on the move.  
24 Staff now says it's definitely something called  
25 double leverage, as you have heard today.

1           As we pointed out many times in this process,  
2           this is an affiliate transaction adjustment where  
3           the double leverage adjustment -- while the double  
4           leverage adjustment is a balance sheet adjustment  
5           that is directed at the capital structure and it  
6           affects the WACC, the PDA rule does not address  
7           either one of these things. I commend to you our  
8           previous comments on the double leverage red  
9           herring, if you will.

10           I want to provide a note about staff's  
11           assertion that this adjustment does not allow the  
12           regulated subsidiary to earn a rate of return that  
13           you authorize. I think this is wrong. It's a  
14           misdirection from the facts and the history of this  
15           rule, and why it came to be in place.

16           This is really an affiliate transaction, and  
17           the Commission is making an adjustment to correct  
18           an excessive cost on the books of the regulated  
19           utility based on an affiliate relationship. There  
20           is no their when it comes to the costs that are  
21           booked on the regulated utility's books. A  
22           regulated subsidiary has affiliate costs in their  
23           balance sheet and on their income statement from  
24           the parent and service company's incentive  
25           compensation to capitalize allocations of A and G.

1           These costs are booked and become the regulated  
2           subsidiary's costs. But disallowances or  
3           adjustments to those costs don't mean that they  
4           can't earn their rate of return. You are  
5           exercising organic fundamental ratemaking oversight  
6           when you make disallowances based on imprudent  
7           affiliate costs.

8           So I think that's a total red herring to  
9           suggest that this rule, and any other affiliate  
10          transaction adjustment that the Commission would  
11          make, is a denial of the utility's ability to earn  
12          the rate of return that you have authorized them to  
13          earn.

14          The notion that the Commission cannot make an  
15          adjustment on the regulated books because the  
16          disallowance will not allow them to recover their  
17          costs, or their true costs -- however Mr. Cicchetti  
18          phrased it -- is absurd, in our opinion.

19          Furthermore, the superficial notion about  
20          earning a fair rate of return would bar the  
21          Commission from ever adjusting an excessive  
22          allocation from an affiliate, or a charge from an  
23          affiliate for correcting a transfer of an asset to  
24          an affiliate at an imprudently low cost.

25          The tax deductible interest on the debt that

1 is invested in the subsidiary creates an unfair  
2 benefit to shareholders when the customers pay a  
3 grossed-up equity return on it. The Commission  
4 decided many decades ago to address this unfair  
5 affiliate transaction by imputing the tax benefit  
6 received by the parent, and, in some cases, the  
7 grandparent, to the benefit of the customers. This  
8 is no different from adjusting an excessive or  
9 imprudent cost charged from an affiliate, or  
10 imputing unrecognized or underpaid revenue  
11 attributable to an asset or a benefit provided by  
12 the subsidiary and paid for by customers through  
13 that parent or affiliate.

14 The Florida Supreme Court recent -- not  
15 recently, upheld the Commission's authority to do  
16 just this, by approving the Public Service  
17 Commission's imposition and, thus, imputation on  
18 the regulated company's books of a royalty payment  
19 by a PSC certificated affiliate of United Telephone  
20 Company to compensate it and the customers for the  
21 startup long distance affiliate's uncompensated use  
22 of name, image, likeness, good will and avoided  
23 training costs provided to them by the monopoly  
24 phone company's ubiquitous name and logo. And  
25 that's United Telephone Company Long Distance,

1 Inc., V Nichols, 546 So.2d 717, Florida 1989.

2 The Commission required this fee to be paid by  
3 the affiliate, but the effect in reality was to  
4 impute the revenue for earnings surveillance and  
5 ratemaking purposes on the regulated books.

6 The PDA adjustment, as I call the parent debt  
7 adjustment, is no different. In United, the Court  
8 recognized the Commission's authority to compensate  
9 customers for benefits they provided to the  
10 affiliate, saying, in effect, the Commission found  
11 that substantial resources developed by local  
12 telephone exchange ratepayers should not be  
13 utilized without compensation by the long distance  
14 service. That same cite, but at 720.

15 These well-settled principles of consumer  
16 protection against affiliate transaction abuse, or  
17 the potential for abuse, found in the PDA and found  
18 in the royalty case should be preserved and not  
19 abandoned here.

20 To conclude, it seems like every time that we  
21 make a field goal, or made a field goal, the posts  
22 were being moved while the ball was in the air.  
23 The crew is out there yet again, once again poised  
24 to move the post. After these many decades of  
25 successful field goals, we just want the posts

1 removed and the hostilities to cease. We ask you  
2 to please put an end to this madness.

3 I would note that if there is any talk about  
4 Florida being the only state to make this PDA  
5 adjustment, and that there is some sort of national  
6 standard, we would ask you convene a workshop, or  
7 expand this one, to combine discussions about why  
8 Florida is the only state awarding outlandish ROEs  
9 that are 75, 100 or more basis points above those  
10 awarded in most, if not all of the other 47 in the  
11 lower 48. That might be a fair apples to apples  
12 exercise.

13 We affirm and incorporate by reference our  
14 written comments from last week, and the comments  
15 we filed on September 26th, 2023, and the remarks  
16 made on March 5th, '24 and July 9, '24. I am happy  
17 to against any questions in the session that  
18 follows later, but I urge you to reject this effort  
19 to, yet again, repeal the parent debt rule. There  
20 is nothing new. You are squarely within your  
21 rights and your obligation to protect customers  
22 against affiliate abuses, and that's all this rule  
23 is.

24 Thank you.

25 CHAIRMAN SMITH: Thank you, Mr. Rehwinkel.

1           Next we will move to Florida Rising.

2           Mr. Marshall.

3           MR. MARSHALL: Thank you, Commissioners, for  
4           the opportunity to address you today. My name is  
5           Bradley Marshall. I am here on behalf of Florida  
6           Rising.

7           Commissioners, we fully degree with the points  
8           that the Office of Public Counsel has raised  
9           regarding why the effective repeal of the parent  
10          debt adjustment rule is a bad idea and will not  
11          repeat them in-depth.

12          Suffice it to say, we are in an extended  
13          period of affordability crisis in the state with  
14          residential investor-owned utility electric bills  
15          from. From 2013, the average residential  
16          investor-owned utility electric bill in this state  
17          has gone from just above \$120 per month to over  
18          \$162 for FPL in 2025, to over \$185 for Duke in  
19          2025, and over \$193 for TECO in 2025.

20          There were multiple months in 2025 where TECO  
21          residential customers had the highest or second  
22          highest electric bill in the nation for any  
23          electric utility with more than 100,000 customers.

24          Since 2009, we have seen the return on equity  
25          per customer increase from a little over \$212 per

1 customer for TECO to over \$581 per year. For Duke,  
2 about \$166 per customer to over \$457. And for FPL,  
3 from \$167 to over \$678.

4 The residential bills for the IOUs have long  
5 exceeded that of the munis and national averages,  
6 but since 2017, the all-in kilowatt hour rate for  
7 the IOUs has exceeded that of the munis. And now  
8 the IOU residential bills and all-in kilowatt hour  
9 rates also exceed that of the rural cooperatives of  
10 this state, which were originally set up to serve  
11 the hardest and most expensive to serve areas.

12 Recent reporting shows that Florida is number  
13 two in the nation disconnections, with millions of  
14 Floridians being disconnected for being unable to  
15 afford their electric bills every year. This is a  
16 crisis.

17 We would hope that this Commission would be  
18 looking to make rules and policies rein in the  
19 highest utility profits in the nation and make  
20 electricity more affordable in the state. Instead,  
21 we see this, along with the asset optimization  
22 mechanism expansion, for example, which only  
23 promised to raise bills and rates to shift even  
24 more profits to the utilities.

25 We know from TECO's and Duke's responses to

1 the staff data requests in this docket that the  
2 effective repeal of this rule will only add to  
3 revenue requirements, that is higher rates and  
4 higher bills.

5 We heard during staff's presentation that this  
6 rule effectively discriminates against parent  
7 companies, and ensures that they can't earn a fair  
8 return in Florida. If that was true, we wouldn't  
9 see from these parent companies on their investor  
10 calls bragging about how much they are able to  
11 invest in this state, and how much they are able to  
12 make on their returns here. This is where they go  
13 to invest and make returns. I would posit that  
14 it's kind of -- would be an absurd argument to say  
15 that Florida is the state where the investor-owned  
16 utilities aren't able to make a fair return on  
17 their investments.

18 We also heard that the -- that this rule is  
19 leading to -- is one of the reasons that we might  
20 be seeing higher returns on equity in this state,  
21 and that we might be seeing more frequent rate  
22 increases. If that was true, then I would also say  
23 that FPL, which hasn't seen any revenue  
24 requirements increase as a result of this rule,  
25 would have -- should have the lowest ROE of the

1 investor-owned electric utilities, and should not  
2 be having annual rate increases. Instead, we see  
3 the opposite, that they have, by far, the higher  
4 ROE of the regulated investor-owned electric  
5 utilities in the state.

6 We also heard about the stand-alone approach  
7 that we would posit that that's never been true,  
8 that we can truly look at the regulated electric  
9 utilities in isolation. We have always looked at  
10 affiliate transactions. We have always looked at  
11 what direction they are receiving from their parent  
12 company. However much we would like, the  
13 subsidiaries that are regulated by this commission  
14 are not islands. They are impacts both direction.

15 So we ask you to say no, and to please keep  
16 this consumer protective rule in place, and allow  
17 ratepayers to deduct the interest on debt embedded  
18 in the equity infusion in the regulated  
19 subsidiaries from their parent company. As shown  
20 by OPC, this has been battle-tested for almost 50  
21 years now. There is no reason to change course to  
22 shift even more profits to shareholders at this  
23 point.

24 Thank you.

25 CHAIRMAN SMITH: Thank you, Mr. Marshall.

1           Okay. Next, Ms. Olivier from Duke.

2           MS. OLIVIER: Good morning. Good morning,  
3           Commissioners.

4           I have about seven points I would like to  
5           read. So I am going to explain why the parent debt  
6           adjustment is no longer appropriate, necessary or  
7           consistent with modern ratemaking principles. And  
8           I will explain that no other state in the nation  
9           possess such a rule, nor does the FERC have such a  
10          requirement.

11          So point No. 1. The rule was adopted to  
12          address concerns that no longer exist in their  
13          original form. My research shows that the rule was  
14          adopted in 1983, when there were different  
15          corporate structures and limited access to detailed  
16          financial information regarding intercompany  
17          financing.

18          So in the 1980s, when the rule was adopted,  
19          utility parents frequently issued debt directly to  
20          fund subsidiary capital investments, and proceeds  
21          were frequently downstreamed to utilities through  
22          equity contributions. So in other words, capital  
23          was fungible across corporate groups as utilities  
24          often lacked independent market access. This  
25          supported the rebuttable presumption embedded in

1 the rule that the parent investments mirrored the  
2 parent's overall capital structure.

3 Today, parent level debt is typically issued  
4 solely for holding company purposes, and utilities  
5 issue their own debt debit and possess independent  
6 credit ratings. Today, utilities routinely employ  
7 bankruptcy remote provisions isolating utility  
8 assets from parent creditors. If parent creditors  
9 cannot access utility assets, it is illogical to  
10 assume that parent debt is used to finance utility  
11 equity.

12 Point No. 2. The rule is based on a  
13 rebuttable presumption that parent investments are  
14 made in proportion to the parent's overall capital  
15 structure. In practice, however, parent level debt  
16 is often used for nonregulated or nonutility  
17 purposes. Subsidiaries frequently fund capital  
18 expenditures through retained earnings or utility  
19 specific debt issuances, and holding company  
20 capital structures may not reflect the financing of  
21 regulated assets at all.

22 Point No. 3. The adjustment distorts cost of  
23 service results and conflicts with  
24 Commission-approved capital structure. The  
25 Commission routinely determines an appropriate

1 capital structure for ratemaking purposes based on  
2 the utility's risk profile and financing  
3 characteristics. Imposing an additional parent  
4 level debt adjustment can undermine the  
5 Commission's own capital structure determinations  
6 and double count leverage effects already reflected  
7 in authorized returns, as we've discussed.

8 I have found no other -- this is point No. 4.  
9 I have found no other state in the nation with a  
10 comparable administrative rule that operates like  
11 the one in Florida, and the FERC has had no such  
12 requirement that I could find since as far back as  
13 the early 1990s.

14 Common approaches outside of Florida include  
15 the stand-alone or separate corporate taxable  
16 income method, which independent -- incidentally,  
17 is how we calculate and report our income taxes. I  
18 was not able to find a state that has a rule that  
19 resumes parent debt was invested in utility equity  
20 that mandates a parent capital structure based tax  
21 adjustment, or that has a mechanical formula  
22 comparable to Rule 25-14.004(4).

23 In accounting interpretation AI93-5 in from  
24 April 23rd, 1993, the FERC reaffirmed that  
25 jurisdictional rates must reflect fully normalized

1 income taxes consistent with FAS 109, and tied tax  
2 expense to the utility's recorded transactions, not  
3 hypothetical financing at the parent level.

4 Point No. 5. Nothing in the rule's history  
5 requires that the adjustment remain mandatory into  
6 perpetuity. Revising the rule would align the rule  
7 with contemporary regulatory practices, emphasizing  
8 evidence-based determinations rather than  
9 irrebuttable mechanical adjustments. The  
10 Commission retains ample discretion to address  
11 legitimate tax and capital structure issues on a  
12 case specific basis without a rigid rule-based  
13 mandate.

14 No. 6. We will argue in our next rate case  
15 that, as we did in direct testimony in our 2024  
16 rate case, that the parent debt tax adjustment does  
17 not apply to Duke. So Duke Energy Florida's parent  
18 hasn't invested equity into Duke Energy Florida  
19 since 2009, and those bonds matured in 2014 and  
20 2019. So Duke Energy Florida has been funding its  
21 own operations with retained earnings and debt  
22 issuances recorded on our books and records.

23 No. 7. Just a side point, incidentally,  
24 excluding retained earnings from the formula  
25 creates an ever-increasing parent debt adjustment

1           that was never intended by the rule. So over time,  
2           regulated utilities routinely distribute earnings  
3           to parents in the form of dividends.

4                    When retained earnings are excluded, while  
5           dividend distributions persist, common equity can  
6           be driven to zero or negative values, and the debt  
7           ratio can approach or exceed 100 percent. This  
8           outcome is a formulaic artifact, not an economic  
9           reality, because a parent company with sustained  
10          negative economic equity could not continue to  
11          access capital markets. Excluding retained  
12          earnings produces mathematically unstable and  
13          unrealistic results that were not contemplated when  
14          the rule was adopted. And we actually demonstrated  
15          that in our minimum filing requirements in our last  
16          rate case.

17                   In conclusion, the Commission already  
18          possesses broad authority to disallow unreasonable  
19          or unsupported expenses. A rule mandated  
20          adjustment reduces regulatory flexibility by  
21          requiring an outcome regardless of evidentiary  
22          context.

23                   The parent debt adjustment rule was upheld as  
24          a valid exercise of authority when adopted, but  
25          nothing in its history requires that the adjustment

1 remain mandatory in perpetuity. Revising or  
2 repealing the requirement would remain consistent  
3 with the Commission's ratemaking authority and  
4 align the rule with contemporary regulatory  
5 practices emphasizing evidence-based  
6 determinations, rather than irrebuttable mechanical  
7 adjustments.

8 Revising the rule to eliminate the required  
9 debt -- parent debt adjustment would improve  
10 accuracy in cost of service analysis, enhance  
11 regulatory flexibility and better align ratemaking  
12 outcomes with actual utility financing.

13 For these reasons, Duke Energy Florida  
14 supports revising the parent debt adjustment rule  
15 to remove the required parent debt adjustment.

16 Thank you.

17 CHAIRMAN SMITH: Thank you.

18 Okay. Next we are going to move to the topics  
19 for discussion portion. So the way we are going to  
20 do this is we have nine questions that each  
21 stakeholder will be called upon to answer. Some  
22 questions may not be relevant to all stakeholders,  
23 and if so, please let us know it's not applicable  
24 to your organization. We can just keep moving on.

25 Commissioners, what I am going to do, once --

1           you are welcome to jump in at any point to ask  
2           questions, and then I will also circle back at the  
3           end to make sure that if any ideas or thoughts come  
4           up, that you have another opportunity to ask those  
5           questions.

6           So I will ask the first question, and then I  
7           will just go down the line as how we took  
8           appearances. Again, if it doesn't apply, just we  
9           can keep moving on, but we will kind of do it that  
10          way, and hope that will keep the record a little  
11          bit clearer.

12          So the first question is: What the  
13          stand-alone approach of public utilities  
14          regulation?

15          Mr. Wright, you are first.

16          MR. WRIGHT: Thank you, Madam Chair.

17          The purpose of stand-alone methodology is to  
18          match the regulatory treatment of a tax benefit  
19          with the regulatory treatment of the underlying  
20          expense item that gives rise to that benefit,  
21          thereby, treating an expense and its resulting tax  
22          deduction in a consistent manner.

23          Under this approach, only the utility's own  
24          jurisdictional operations, costs, capital structure  
25          and tax attributes are considered for ratemaking

1 purposes, consistent with how other cost of service  
2 components are established in base rate  
3 proceedings.

4 CHAIRMAN SMITH: Thank you.

5 Ms. Cuello.

6 MS. CUELLO: Good morning. I will keep this  
7 brief just so we are not muddying -- taking up a  
8 lot of time, but we would agree with FPL's  
9 definition of that.

10 CHAIRMAN SMITH: Thank you.

11 Ms. Keating.

12 MS. KEATING: FPUC and FCG would, likewise,  
13 agree.

14 CHAIRMAN SMITH: Thank you.

15 And, Mr. Wahlen, I think when you are -- you  
16 have different responses for the different  
17 organizations that you are representing.

18 MR. WAHLEN: Well, I was just going to say in  
19 general that this is a very esoteric topic, and we  
20 came today to learn more than talk and listen, and  
21 didn't really come prepared with prepared answers  
22 for these things, but we don't have anything to add  
23 beyond what FPL and staff provided in their  
24 presentation. And you may hear that from me again  
25 as we go down the list.

1           MR. DEASON: American Water would agree with  
2 FPL and staff's interpretation of the stand-alone  
3 approach.

4           CHAIRMAN SMITH: Mr. Marshall.

5           MR. MARSHALL: I don't think we have anything  
6 to add to the technical definition, but I think we  
7 will have something to add about the facts of how  
8 it's applied in the next question.

9           Thank you.

10          CHAIRMAN SMITH: Sure.

11          Mr. Rehwinkel.

12          MR. REHWINKEL: I don't really have anything  
13 to add, but I do think it is a misdirection and a  
14 myth that there is such a thing called stand-alone  
15 approach to utility regulation.

16                 The Commission has rules about the deferred  
17 taxes on intercompany profits. There is issues  
18 where you have adjusted the gross profit embedded  
19 in rate base before, so I don't think that's  
20 something that exists, so that's our position on  
21 that.

22          CHAIRMAN SMITH: Okay. Thank you.

23                 And, again, I will reiterate. Commissioners,  
24 if you have questions regarding -- a specific  
25 question, jump in any time, and then when we get to

1 the end, you will also have another opportunity to  
2 ask questions.

3 Okay. Question No. 2: In what insurances  
4 does the Florida Public Service Commission rely on  
5 the stand-alone approach on setting utility rates?

6 MR. WRIGHT: To FPL's knowledge, unless there  
7 is a rule otherwise, such as the parent debt  
8 adjustment rule, the Commission relies on the  
9 stand-alone approach when establishing a utility's  
10 revenue requirements in base rate and other cost  
11 recovery proceedings.

12 CHAIRMAN SMITH: Ms. Cuello.

13 MS. CUELLO: That is Duke's understanding as  
14 well, that the PSC uses the stand-alone approach in  
15 ratemaking, with the exception of the parent debt  
16 adjustment.

17 MS. KEATING: That's my take on the orders, at  
18 least as they apply to FPUC and FCG, as well.

19 CHAIRMAN SMITH: Mr. Wahlen.

20 MR. WAHLEN: Same response. Thank you.

21 CHAIRMAN SMITH: Thank you.

22 MR. DEASON: I would agree that the Commission  
23 uses the stand-alone approach other than the parent  
24 debt adjustment.

25 CHAIRMAN SMITH: Mr. Marshall.

1           MR. MARSHALL: I think philosophically, the  
2           Commission tries to, as it should, look at the  
3           regulated utility as a regulated utility, but that  
4           regulated utility has a lot of interactions with  
5           their parent utility, and those are, you know,  
6           those are affiliate transactions, which are, of  
7           course, are they relevant, that we go through, we  
8           look at, we make sure that the ones that are being  
9           charged are prudent.

10           And so subsidiaries are not islands, and, you  
11           know, I would say that it's also, when we have  
12           looked at cost of service and return on equity, and  
13           then putting aside the second parent debt  
14           adjustment, we have looked at parent companies and  
15           what they are directing their subsidiaries to do.  
16           Those have always been relevant information in rate  
17           cases. We have -- you know, I have personally  
18           crossed witnesses on what the parent companies are  
19           expecting of their subsidiaries, and why, you know,  
20           how is it that beneficial to Florida ratepayers.

21           I don't think, in the world we live in with  
22           the parent companies that we have, that we can  
23           exactly isolate the subsidiaries in Florida, and  
24           sort of put blinders on as to what the parent  
25           companies are expecting out of their subsidiaries,

1           what directions that they are going.

2           And, you know, just for an example, as, you  
3           know, the parent, for example, directs its  
4           subsidiary to, you know, invest in a certain type  
5           of energy resources. That can be relevant  
6           information as to whether that is actually prudent  
7           and used and useful for Florida ratepayers. You  
8           know, maybe that direction is for a reason that  
9           isn't for Florida ratepayers, and that would be  
10          relevant information to be considered in a rate  
11          case proceeding.

12          And so it's a complicated -- I think it's a  
13          complicated question, because, I -- you know, I  
14          think the ideas there is that we do want to look at  
15          the regulated utility, but to the extent that a  
16          parent's operations are impacting that regulated  
17          utility, that is relevant information that we want  
18          to consider when looking at that regulated utility,  
19          and I think, you know, the parent debt adjustment  
20          is part of that.

21                 Thank you.

22           CHAIRMAN SMITH: Thank you.

23           Mr. Rehwinkel.

24           MR. REHWINKEL: Yes, I think -- I agree with  
25          everything Mr. Marshall said is very on point, and

1 I believe that it's almost impossible to say that  
2 the Commission does rely on the stand-alone  
3 approach when setting rates.

4 I mean, you take Duke. The vast majority of  
5 the employees that you might see before the  
6 Commission belong to something called DEBS, the  
7 Duke Energy Businesses. They have a service  
8 company that is intertwined with the regulated  
9 entity that you regulate.

10 So I don't think you can parse it out. I  
11 don't think you can separate it. I don't really  
12 think the stand-alone approach applies, except  
13 maybe in some very small water, mom and pop water  
14 companies.

15 CHAIRMAN SMITH: Okay. Question three: Are  
16 there any instances where the FPSC does not rely on  
17 the stand-alone? We already touched on that, but  
18 does --

19 MR. WRIGHT: Yeah, our response would be the  
20 same for No. 2.

21 MS. CUELLO: Same for Duke Energy, the  
22 response to No. 2.

23 MS. KEATING: Same as far as I know.

24 MR. WAHLEN: Same as my previous response.

25 Thank you.

1 MR. DEASON: Same as my previous response.

2 MR. MARSHALL: I will go with same as my  
3 previous response. Thank you.

4 MR. REHWINKEL: I will give it what I consider  
5 an example of not, which is the asset optimization  
6 mechanism that takes gains based on profits that  
7 are generated by utility -- utility customer funded  
8 assets and it transfers them to the shareholders,  
9 and so I think that's a good example. It's one of  
10 many I could sit here and regale you with today,  
11 but I know that you don't want that. That's my  
12 main example. Thank you.

13 CHAIRMAN SMITH: Thank you.

14 COMMISSIONER LA ROSA: Question.

15 CHAIRMAN SMITH: Yes, Commissioner La Rosa.

16 COMMISSIONER LA ROSA: Quick follow-up, maybe  
17 not necessarily to that point, but maybe to the  
18 point in the previous question. And you brought  
19 up, I thought, or you went down an alley that I  
20 think maybe strikes a little bit of a cord.

21 Do you feel that maybe there is a spot or a  
22 consideration where smaller utilities might have a  
23 possibly separate rule when it comes to what we are  
24 discussing today, when it talks about the parent  
25 debt, where maybe the parent debt isn't applicable?

1 OPC, sorry. I am happy to hear from Florida Rising  
2 as well, because I think you guys are maybe  
3 conjoined in the direction and the thoughts on  
4 this.

5 MR. REHWINKEL: Commissioner, I had not  
6 considered that. I think the rebuttable  
7 presumption element of the rule would cover that.  
8 I have seen small -- smaller utilities meet the  
9 presumption. I have seen larger utilities not meet  
10 it. I certainly would need to think about that  
11 more.

12 I think -- as I have said, I think the rule,  
13 would fine, and I think the rebuttable presumption  
14 is a safety net that the utility industry and the  
15 Commission are able to rely on.

16 COMMISSIONER LA ROSA: And the reason I asked  
17 that question is I think the landscape is changing  
18 a little bit when it comes to smaller utilities,  
19 specifically water utilities, but I -- you just  
20 kind of struck a cord. And I am happy to hear from  
21 Florida Rising if you would love to weigh in.

22 MR. MARSHALL: I don't think I have -- we have  
23 anything to add. As you can probably tell from our  
24 remarks, our focus has been on the electric and  
25 investor-owned utilities. And I realize this rule

1 applies to all utilities subject to utilities  
2 jurisdiction, but water utilities is just something  
3 we, Florida Rising hasn't really looked at, so I  
4 don't have a good answer you for.

5 COMMISSIONER LA ROSA: Thank you. And maybe a  
6 little bit to my point is I kind of feel like  
7 sometimes maybe they are left out, and obviously  
8 still a substantial ratepayer and a substantial  
9 utility in our state.

10 Thank you, Madam Chair.

11 CHAIRMAN SMITH: Thank you.

12 Yeah, and I will just, before I move to the  
13 next question, just remind y'all that if there are  
14 follow-up questions from the, you know, that we  
15 have from the bench, you can always put those in  
16 the postworkshop comments, it just gives you a  
17 little bit more time to think through things. So  
18 there is still more opportunity to work through  
19 this.

20 Okay. Question 4: What is double leverage?  
21 It sounds like an exam. I am putting you all on  
22 the line, yeah, I am cold calling all of you.

23 Mr. Wright, you are up first.

24 MR. WRIGHT: Thanks, Madam Chair.

25 We agree with staff's description of double

1 leverage. It's a financial concept rather than a  
2 required accounting treatment. And the concept is  
3 often raised in ratemaking discussions to argue  
4 that parent level financing should affect a  
5 utility's allowed return on tax treatment.

6 MS. CUELLO: Duke would also agree with  
7 staff's definition of double leverage. It's  
8 essentially where the parent raises debt and  
9 invests the money and equity into a subsidiary.

10 MS. KEATING: I couldn't personally explain it  
11 myself, but I agree with staff's interpretation as  
12 well.

13 MR. WAHLEN: We agree with staff's definition.

14 MR. DEASON: I agree with staff's definition.

15 MR. MARSHALL: I don't have anything to add to  
16 the technical financial definition, but regarding  
17 the next question, we will have -- you know, how it  
18 applies here, and we have thoughts that apply.

19 CHAIRMAN SMITH: Sure.

20 MR. REHWINKEL: Yes. I think it's -- I don't  
21 have a disagreement. I thought Mr. Wright said at  
22 the end about tax treatment, but it's a financial  
23 principle that applies to capital structure and  
24 capitalization, and the WACC, or the weighted  
25 overall cost of capital. I don't think it applies

1 to the parent debt adjustment, so -- but I do agree  
2 that it is a balance sheet issue.

3 CHAIRMAN SMITH: All right. Question 5: How  
4 does double leverage relate to the parent debt  
5 adjustment.

6 MR. WRIGHT: I hope I listened correctly. I  
7 am going to get this one right.

8 CHAIRMAN SMITH: Sorry, you get to go first.

9 MR. WRIGHT: When a parent company uses debt  
10 to invest in a regulated subsidiary and files a  
11 consolidated income tax return, the interest  
12 expense on the parent's debt produces a  
13 consolidated tax liability.

14 The current parent debt adjustment rule  
15 continues to apply a limited consolidated tax  
16 adjustment to impute the tax savings realized in  
17 the consolidated tax return from the interest  
18 expense on a parent debt's -- on a parent's debt to  
19 the regulated utility.

20 CHAIRMAN SMITH: Thank you.

21 MS. CUELLO: The PDA rule applies if a parent  
22 issues debt for the purpose of downstreaming that  
23 money to the subsidiary utility.

24 CHAIRMAN SMITH: Ms. Keating.

25 MS. KEATING: Same response as before.

1           CHAIRMAN SMITH: Thank you.

2           MR. WAHLEN: And me as well. Thank you.

3           MR. DEASON: I am going to stay away from the  
4 technical definitions that we just heard. Me,  
5 speaking as -- and I am not an attorney, by the  
6 way, so I think I am the only one down here that's  
7 not an attorney. I just want to make that  
8 clarification. I am actually an economist by  
9 trade, and a cost of capital witness for my  
10 company.

11           On a very high level, I consider this to be  
12 kind of a backdoor approach to a double leverage  
13 adjustment. It's not your textbook double leverage  
14 adjustment that you typically see in other  
15 jurisdictions that have tried this and now  
16 completely rejected, where you are basically  
17 changing a operating subsidiary's capital structure  
18 to be more in line with the parent's capital  
19 structure irrespective of the risk that is being  
20 taken by, and the exposure of risk by the equity of  
21 the operating subsidiary.

22           Essentially, instead of doing it that way, you  
23 are just making adjustments on the income tax. You  
24 are basically running it through the income taxes  
25 instead of reflecting it on the capital structure

1 in a regulatory rate proceeding. That's probably  
2 the best way I can describe it.

3 CHAIRMAN SMITH: Thank you, Mr. Deason.  
4 Mr. Marshall.

5 MR. MARSHALL: I think that's far better than  
6 I would be able to describe it. It's not  
7 technically -- it's not double leverage. I mean,  
8 what it is, is who gets to take the deduction of  
9 the debt, the interest on the debt. And since it  
10 is -- you know, the presumption of the parent debt  
11 adjustment rule is that if it's being invested in  
12 the subsidiary, so it's part of the subsidiary's  
13 capital structure, you know, rebuttably presumed to  
14 be there, that the subsidiary -- that it's the  
15 ratepayers who are funding that subsidiary that are  
16 going to be able to take advantage of that  
17 deduction and not the shareholder. So it's not  
18 double leverage.

19 CHAIRMAN SMITH: Okay. Mr. Rehwinkel.

20 MR. REHWINKEL: I think I agreed with  
21 everything that Mr. Wright said about the  
22 mechanics, but I want to reiterate that Public  
23 Counsel believes that, strongly, that this is an  
24 affiliate transaction rule. The way we look at it  
25 is the customers provide a pretax return on the

1 equity component of the capital structure, and the  
2 rate -- the investor at the parent level funds a  
3 part of that, absent the rebuttable presumption  
4 being made, with debt that's tax deductible. So  
5 your giving a equity return to the parent on a cost  
6 that is tax deductible. So that's why we say it is  
7 an affiliate transaction correction to this  
8 affiliates relationship that provides investment  
9 support to the utility operations.

10 So I just don't see it -- I mean, strictly  
11 speaking, if double leverage is just putting the  
12 parent's debt into the equity of the subsidiary,  
13 technically it meets that test. But the essence of  
14 the transaction and the essence of the rule is to  
15 protect against an affiliate transaction  
16 overpayment.

17 Thank you.

18 CHAIRMAN SMITH: Commissioner Ortega.

19 COMMISSIONER ORTEGA: Yeah. Thank you. I  
20 actually had a question for Duke, but that prompted  
21 another question.

22 I like the way you described it as -- not for  
23 Ms. Cuello, for Ms. Olivier -- as a downstream flow  
24 to the subsidiary, but I thought you heard you  
25 earlier saying that that's not applicable to Duke

1           because Duke has its own financing. Could you  
2           elaborate a little bit on that for me?

3           MS. OLIVIER: Sure. So the -- so Duke has a  
4           parent, and we have multiple subsidiaries. And so  
5           the parent, you know, could issue debt to,  
6           downstream, to a particular utility, maybe it's to  
7           purchase a utility. That's what happened to us  
8           back in the, I guess it was the 2000s, when  
9           Progress Energy bought Florida Power with virtually  
10          all debt, and so there was -- there was a time when  
11          they had issued some bonds, downstreamed it to Duke  
12          Energy Florida as equity, and in the 2009 rate  
13          case, the Commission voted to have us make that  
14          parent debt adjustment.

15          Well, those bonds all matured, and since then,  
16          Duke Energy purchased Progress Energy, and has  
17          multiple other subsidiaries. They did not  
18          downstream that -- any debt to us at that point.  
19          Those bonds matured in 2014 and 2019, so we are  
20          going to argue that we don't have a parent issuing  
21          debt to infuse into the utility. Since then, we  
22          have been dividending money up to the parent. And  
23          so I hope that answered that question.

24          COMMISSIONER ORTEGA: Yeah. And just a quick  
25          follow-up.

1           So in -- when you file your MFRs, with the  
2           current rule, you also file testimony and evidence  
3           to exempt yourself from the rule, is that fair to  
4           say, or --

5           MS. OLIVIER: That's right.

6           COMMISSIONER ORTEGA: -- why it may not apply  
7           to you?

8           MS. OLIVIER: That's exactly right. That's  
9           what we will say. Now, we are required to provide  
10          an MFR that does that calculation on one of the C  
11          schedules. I can't remember if it's C-24. But one  
12          of those schedules requires us to make that  
13          calculation.

14          And if you look at our parent debt, because we  
15          have to exclude retained earnings at the parent  
16          level, the debt is just -- it just goes up, up and  
17          up every year, and it's not realistic that we would  
18          have that much debt in that calculation. So we  
19          feel like the calculation is flawed to begin with,  
20          but we also feel like it does not apply to us going  
21          forward.

22          COMMISSIONER ORTEGA: Thank you.

23          And if I can, just another question.

24          Could you help me, OPC, understand why the  
25          distinction of affiliate transaction is so

1           important? I keep hearing you reference the rule  
2           in that way, and I just want to understand why that  
3           distinction.

4           MR. REHWINKEL: Yes. Thank you.

5           Well, we think it's the bedrock for why the  
6           Commission made this adjustment in that there is a  
7           level of unfairness, that the customers provide an  
8           equity return on a cost that is, absent the  
9           rebuttal, a tax deductible expense and not a  
10          taxable cost. So that's why we feel like it's an  
11          affiliate transaction oversight in its broader  
12          sense. So that's why it's important to us.

13          And if I could say one more thing about -- to  
14          the Duke situation. I -- Ms. Olivier is absolutely  
15          right about the facts of what happened in the last  
16          case. I just want to make sure that everybody  
17          understands that we settled that case. We have  
18          some language in the settlement agreement that  
19          covers this situation. So everybody kept their  
20          powder dry and we will address it in the next case.

21          So they have their point. We have our point  
22          about how facts layout and the rule applies. But  
23          she is absolutely right about the testimony they  
24          filed and how they presented the MFRs, but there is  
25          a little bit different story that's in the

1 settlement, so we just kept our powder dry.

2 Thank you.

3 COMMISSIONER ORTEGA: Thank you.

4 CHAIRMAN SMITH: Okay. Good.

5 The next question you lawyers will like, so it  
6 won't be as technical.

7 Do either of the cases cited in the agenda,  
8 that's Hawkins or General Telephone, preclude the  
9 PSC from amending the rule to discontinue using the  
10 parent debt adjustment? If so, which one and why?

11 MR. WRIGHT: Thank you, Commissioner.

12 Short answer from FPL's perspective is no. In  
13 Citizens versus Hawkins, I would direct your  
14 attention to pages 259 and 260 of that order. The  
15 Court concluded that each determination must be  
16 based on specific independent findings supported by  
17 substantial evidence.

18 The Court did not mandate the application of a  
19 consolidated tax adjustment approach, and, instead,  
20 found that such an approach was appropriate because  
21 it was the only approach supported by the evidence  
22 of record in that case.

23 In General Telephone versus Florida Public  
24 Service Commission, I would direct your attention  
25 to page 1060. The Court held there that the parent

1 debt adjustment is not the only correct method for  
2 determining a utility's income tax expense, and  
3 that the limited consolidated tax adjustment  
4 adopted in Rule 25-14.004 was a discretionary  
5 policy choice for the Commission.

6 I would also direct your attention to page  
7 1068 of that same order, where the Court explained  
8 that the Commission, quote, "is not bound to any  
9 predetermined formula for calculating any cost of  
10 service expense, but is, instead, free to use any  
11 method which will enable it to ascertain the actual  
12 cost to the utility."

13 So I think under both those holdings, when  
14 those orders are read and not relying on dicta, I  
15 think the short answer to question No. 6 is, no,  
16 the Commission is not precluded from amending the  
17 rule to discontinue the parent debt adjustment.

18 CHAIRMAN SMITH: Thank you.

19 MS. CUELLO: Duke will take the same position,  
20 that we don't believe either one of these cases  
21 precludes the Commission from amending the rule to  
22 discontinue the use of the parent tax adjustment.

23 MS. KEATING: FPUC and FCG agree as well.

24 MR. WAHLEN: I guess I am open to being  
25 persuaded otherwise, but we tend to agree with FPL.

1           MR. DEASON: In my professional opinion, those  
2 cases do not preclude the Commission from changing  
3 those rules if they deem that appropriate.

4           CHAIRMAN SMITH: Mr. Marshall.

5           MR. MARSHALL: The two questions -- the two  
6 cases were in different procedural postures, and  
7 there was no rule at stake in Citizens V Hawkins,  
8 so I -- you know, certainly good support in that  
9 case for the approach that the Commission did take  
10 in adopting the rule that it did, which, you know,  
11 obviously the Court then upheld in General  
12 Telephone Company V Florida Public Service  
13 Commission. There were a lot of well supported  
14 findings that the Court agreed with as to why the  
15 rule should be the way it is in that case.

16           Now, does that legally preclude as a bar from  
17 this commission attempting to repeal that rule if  
18 there is a well-developed record? I mean, I don't  
19 think it procedurally bars the Commission from  
20 going down that road, but I also don't think we  
21 would be barred from using that case to argue why  
22 the existing rule is well-founded and supported by  
23 the law.

24           CHAIRMAN SMITH: Thank you.

25           Mr. Rehwinkel.

1 MR. REHWINKEL: Thank you.

2 I agree with Mr. Marshall, of course. But to  
3 me, the issue isn't can you do it, it's should you?  
4 You know, what does the Commission want its legacy  
5 to be? Do you want it to be that we went out of  
6 our way to repeal a rule that keeps customer rates  
7 down?

8 I -- you know, the United Telephone case I  
9 commend to you, because I think that is a third  
10 case that strongly supports your authority. I have  
11 heard in my 40 years practicing before this  
12 commission that the Commission has broad authority.  
13 I think the Legislature asked you to exercise that  
14 for the good of the public and in the public  
15 interest. So we would urge you not to recede from  
16 the rule and to rely on the Supreme Court's  
17 well-reasoned support for this adjustment.

18 Thank you.

19 CHAIRMAN SMITH: Thank you.

20 Okay. Next question: Does the parent debt --  
21 does the parent debt adjustment increase or  
22 decrease rates in the short-term or in the  
23 long-term?

24 MR. WRIGHT: This question is not applicable  
25 to FPL. FPL issues its own debt. Its parent,

1 NextEra Energy, does not issue debt to invest in  
2 FPL.

3 MS. CUELLO: The PAA has the effect of  
4 decreasing rates, and the impact to DEF residential  
5 customers is about a quarter per month.

6 MS. KEATING: I think the effect is to reduce  
7 rates, but the Commission hasn't applied the parent  
8 debt adjustment, or hasn't required an adjustment  
9 for FPUC or FCG in the past several cases.

10 MR. WAHLEN: Peoples and Tampa Electric both  
11 explained the effect in their responsive data  
12 request. It does reduce the revenue requirement.

13 CHAIRMAN SMITH: Mr. Deason.

14 MR. DEASON: In my professional opinion, in  
15 this short run, it can lower rates, but in the long  
16 run, I think it would increase rates through higher  
17 cost overall cost of capital that would be placed  
18 upon the utility.

19 CHAIRMAN SMITH: Mr. Marshall.

20 MR. MARSHALL: As we heard for the -- just  
21 focusing on the investor-owned electric utilities  
22 -- that the, you know, for Duke it is a -- it does  
23 decrease rates. Although, it sounds like, you  
24 know, whether the long-term impact of that will be  
25 an issue in the next rate case as to the

1 applicability of the rule.

2 For TECO, it is a sizeably bigger impact on  
3 decreasing rates under the parent debt adjustment  
4 rule, and based on -- I have it here somewhere,  
5 that it's over a dollar per thousand kilowatt hours  
6 per month for the average residential customer,  
7 that adjustment for TECO which is considerable.

8 On the long-term side, we have seen -- at  
9 least in my rate case experience, I have seen no  
10 evidence going through these rate cases that the  
11 parent debt adjustment rule is -- has been pushing  
12 upward pressure on the return on equities in  
13 Florida.

14 When we hear about why ROEs in Florida need to  
15 be higher than they are nationally, it's because  
16 of, you know, we are hit by storms. We have a long  
17 coastline, and, therefore, are subject to different  
18 risks than other states and other utilities  
19 throughout the nation are. We have not heard that  
20 the reason is because of the parent debt adjustment  
21 rule as to why ROEs are high in Florida.

22 And again, I would point to FPL as the one  
23 that has gone to this commission and been awarded  
24 the highest ROE of any regulated investor-owned  
25 utility, electric utility, in the lower 48 states,

1 receives the highest ROE isn't being subject to  
2 this rule. They have -- as you heard, they issue  
3 their own debt, so there isn't that increase.

4 And so the idea that, in the long-term, this  
5 is going to push return on equities even higher in  
6 the state, I just don't think there has been any  
7 evidence presented to that effect.

8 Thank you.

9 CHAIRMAN SMITH: Mr. Rehwinkel.

10 MR. REHWINKEL: Yes. I agree with Duke and  
11 Mr. Wahlen for the Emera companies.

12 I will say this, we alluded to it, or maybe  
13 more than alluded in our comments last week that if  
14 this rule repeal goes forward, we intend to ask for  
15 a draw-out, an evidentiary hearing to determine  
16 things like what Mr. Deason referred to, which is  
17 are there facts on the ground that demonstrate that  
18 the long-term ramifications of applying this rule  
19 is to increase costs. We think you should take  
20 evidence on that rather than hear speculation about  
21 it.

22 I am not aware in the cases that I have been  
23 involved in where a credit rating agency has  
24 weighed in and said, man, this is killing the cost  
25 of capital or the debt rating for this company

1           because you have had this rule down in Florida.  
2           They were much more concerned about PPAs and this  
3           phantom equity issue that the Commission finally  
4           disposed of in the early 2000s -- or the late  
5           2000 -- late -- in the 2009 timeframe.

6           So we think you should take evidence on that,  
7           not speculate about whether there is any long-term  
8           impact of this rule on the cost of capital -- I  
9           mean the revenue requirements of a utility.

10          Thank you.

11          CHAIRMAN SMITH: Commissioner Clark.

12          COMMISSIONER CLARK: Yeah, Madam Chair, I just  
13          would -- I want to make sure we have Florida Rising  
14          and OPC on the record. You don't have an opinion  
15          as to whether or not this will increase or decrease  
16          customer rates?

17          MR. REHWINKEL: Well, I said I agreed with  
18          Duke and --

19          COMMISSIONER CLARK: That it will decrease  
20          customer rates by adopting the rule?

21          MR. REHWINKEL: By keeping the rule the way it  
22          is. If you repeal the rule, it will cause rates  
23          for certain utilities that can't meet the  
24          rebuttable presumption, it should have upward  
25          pressure on the revenue requirement and on rates.

1           COMMISSIONER CLARK: By adopting the rule?

2           MR. REHWINKEL: No, by -- yeah, by amending  
3 the rule, or repealing the adjustment as we have  
4 known it for 50 years.

5           COMMISSIONER CLARK: Okay.

6           MR. REHWINKEL: Yeah, I am sorry for the  
7 confusion.

8           COMMISSIONER CLARK: Florida Rising.

9           MR. MARSHALL: Yeah, I am sorry, Commissioner  
10 Clark, for the confusion. But, yes, we know from  
11 TECO's response that if the amendment to the rule  
12 was adopted that rates would go up by -- and the  
13 impact would be expected to be over a dollar per  
14 month for a thousand kilowatt hour bill, so --

15           And for Duke, I think it depends on the future  
16 of what their next rate case looks like, and the  
17 facts as to whether the current rule would apply or  
18 not to Duke as to whether those short-term impacts.

19           And the long-term impacts, we think that the  
20 short-term impact would just be amplified over the  
21 long-term. That is our expectation, and so,  
22 therefore, long-term, if the amendment process was  
23 to move forward, rates would be increased,  
24 especially for TECO's residential customers. And,  
25 you know, we have heard arguments to the contrary

1 as to what the long-term impacts would be, and  
2 that's what we just don't think there is any  
3 evidence for.

4 CHAIRMAN SMITH: And I just -- I mean, so you  
5 just said a dollar per month thinking -- I just --  
6 I think we got from those data requests, those  
7 amounts from Duke, TECO and PGS are a little bit  
8 lower than that. Can you reconcile those numbers?

9 MR. MARSHALL: Yeah. I am just looking at the  
10 latest data why to TECO, request number two filed  
11 April 2nd, 2026. It was estimated, based on the  
12 last rate case, that the current rule reduced the  
13 monthly bill for residential customer on a thousand  
14 kilowatt hour basis per month by \$1.12. That's  
15 where I got the over dollar impact from, you know,  
16 presuming that the impact would be of similar  
17 magnitude moving forward.

18 CHAIRMAN SMITH: Okay. And you don't -- and  
19 for the other companies -- I guess I am just  
20 looking. The other companies would be a little bit  
21 less -- would be less than a dollar, but --

22 MR. MARSHALL: Right, that's why --

23 CHAIRMAN SMITH: -- still, yeah.

24 MR. MARSHALL: Yes.

25 CHAIRMAN SMITH: Okay. Commissioners, other

1 -- Commissioner Ortega.

2 COMMISSIONER ORTEGA: Thank you.

3 I think you guys asked my question, but I  
4 wanted to hear it from the utility companies that  
5 answered the data request. Can I assume, all  
6 things being equal but for the presumption, that if  
7 it were to -- if we eliminated the rule, that we  
8 would have an increase in the rates similar to what  
9 was provided in the data requests from the utility  
10 companies? So from TECO, and then from PGS. So I  
11 guess just you, Mr. Wahlen, and I have heard from  
12 Duke.

13 MR. WAHLEN: All other things being equal,  
14 yes. We took a run at the presumption a while ago,  
15 maybe 2008, 2013. I can't remember. Things may  
16 have changed. We may have another shot at that in  
17 the future. But all other things being equal, as  
18 economists say, it would have the effect in the  
19 data request.

20 CHAIRMAN SMITH: Yeah, Commissioner La Rosa.

21 COMMISSIONER LA ROSA: Can I ask a  
22 clarification question of staff?

23 So there is a chart that was -- that's  
24 assembled that comes from the data request that I  
25 think is just being referenced, and then it

1 references three dockets. Can I just verify that  
2 those numbers are accurate? I heard Duke say a  
3 quarter, but, obviously, we talked a little bit  
4 about TECO being \$1.12.

5 MR. CICCHETTI: Yeah, the amount on this page  
6 came from the responses.

7 COMMISSIONER LA ROSA: Okay. All right. Just  
8 making sure that we are talking about the same  
9 thing, and I am at least comparing to what I think  
10 I am hearing.

11 CHAIRMAN SMITH: Sorry. And then more of a  
12 clarification. Those are the numbers if the rule  
13 is amended, or those are the numbers as current,  
14 under the current rule?

15 MR. CICCHETTI: Those are the amounts of the  
16 impact from the last rate case when the adjustment  
17 was --

18 CHAIRMAN SMITH: So we do have the information  
19 -- because I think we would be curious to know what  
20 the -- if the rule is amended, what the bill impact  
21 would be --

22 MR. CICCHETTI: Well --

23 CHAIRMAN SMITH: -- under the amended rule.

24 MR. CICCHETTI: Right. Under the amended  
25 rule, the parent debt adjustment wouldn't be made,

1 and so these decreases would not happen.

2 CHAIRMAN SMITH: But as OPC alluding to, the  
3 bills would go up. Do we know by how much? Do we  
4 have even an estimate?

5 MR. CICCHETTI: Yep, by this amount, based on  
6 the last rate case.

7 CHAIRMAN SMITH: Okay. So under the amended  
8 -- under the -- this proposed amended rule, that's  
9 how much they would go up by?

10 MR. CICCHETTI: Yes.

11 CHAIRMAN SMITH: Okay.

12 MR. REHWINKEL: Madam Chairman, just --

13 CHAIRMAN SMITH: Let, yeah, Commissioner Clark  
14 and then we will go to you.

15 COMMISSIONER CLARK: That was my point, Madam  
16 Chairman, is looking at the handout that we were  
17 given. It appears this is under the proposed  
18 amendment that it is down. That was what I was  
19 trying to get clarification on as well. Thank you  
20 for that.

21 MR. REHWINKEL: I would just ask that -- I  
22 don't think we have received the document that  
23 Commissioner La Rosa mentioned, and I would just  
24 ask that for postworkshop comments, that if that  
25 could just be put into the record so we can see it?

1           CHAIRMAN SMITH: For sure. We will ask staff,  
2           they can -- you can put that in the record, right,  
3           or into the postworkshop comments? I am getting  
4           head nods so --

5           MR. REHWINKEL: Thank you.

6           CHAIRMAN SMITH: Okay. We are going to move  
7           to question 8. So question 8: What are the  
8           arguments for and against the parent debt  
9           adjustment?

10          MR. WRIGHT: Arguments for, it reflects a  
11          consolidated tax saving.

12          Argument against, it continues to apply a  
13          limited consolidated tax adjustment, which is  
14          entirely inconsistent with this commission's  
15          practice of, as well as many and most  
16          jurisdictions, of determining the utility's income  
17          tax expense on a stand-alone basis.

18          The true effect of this parent debt adjustment  
19          is to reduce the utility's income tax expense below  
20          the actual income tax expense reflected on the  
21          utility's income statement, which, all things being  
22          equal, reduces the utility's ability to earn its  
23          authorized rate of return.

24          MS. CUELLO: Duke Energy has already presented  
25          our position on the parent debt adjustment through

1 Ms. Olivier's comments, so if you have any other  
2 questions, I would be happy to answer those.

3 MS. KEATING: We have also -- FPUC and FCG has  
4 also filed joint comments earlier in this  
5 proceeding. I would just note that, again, while  
6 the rule has been applied to FPUC and FCG, the  
7 adjustment has not been made.

8 COMMISSIONER CLARK: Mr. Wahlen.

9 MR. WAHLEN: We have heard all of the pros and  
10 cons today. I don't have anything else to add.

11 Thank you.

12 COMMISSIONER CLARK: Mr. Deason.

13 MR. DEASON: I would agree with FPL's  
14 assessment, that it does artificially bring down  
15 your ROE, and makes it very difficult for a utility  
16 to achieve that authorized rate of return in your  
17 ROE.

18 Another high level, things that --  
19 repercussions that can occur. If you do have  
20 trouble achieving your return, that could  
21 potentially lead to a higher cost of debt, which  
22 ultimately leads to a higher weighted average cost  
23 of capital, which leads to a higher rates for  
24 customers.

25 Additionally, to that, another way to look at

1           it is look at my company, American Water. We are a  
2           very large company, 26 to \$30 billion market cap.  
3           We can achieve -- we can acquire debt lower than  
4           any other water company in the country, by far. In  
5           fact, I am pretty safe to say that, and I know that  
6           we are an A rated company, and recently researched  
7           by Dr. Moore out of Georgia State has shown that  
8           utilities with an A rated credit rating do provide  
9           the lowest cost of capital to their customers,  
10          which is a great benefit to all the customer of  
11          American Water, but we also don't have any  
12          customers in Florida. There are no publicly traded  
13          companies in Florida on the water side. Just  
14          speaking just for water companies.

15                 So I think this debt rule that we are talking  
16          about, in the long run, it can raise a company who  
17          is operating in Florida's cost of capital. It also  
18          chases capital away. A rule like this keeps my  
19          company from coming to Florida, and other utilities  
20          as well, which I think is a detriment to the  
21          citizens of the state of Florida. You want to be  
22          able to attract low forms of capital and low cost  
23          of capital, and companies that can acquire that  
24          capital at the lowest possible cost, but they are  
25          not coming here, at least for water companies, they

1           are not coming here. You are not seeing that at  
2           all.

3           So I will just kind of leave it at that.

4           CHAIRMAN SMITH: Thank you.

5           Mr. Marshall.

6           MR. MARSHALL: Maybe there is a bit of a  
7           divide here, but we've seen no evidence that the  
8           electric companies are having any trouble finding  
9           capital to invest in Florida. We see no evidence  
10          that if this rule were to be amended, that somehow  
11          returns on equity would go down, or that somehow  
12          that, under the current rule, the electric  
13          investor-owned utilities are struggling to stay  
14          within their, you know, hit minimum bound on their  
15          ROE. It's just -- it's not there looking at the  
16          earnings surveillance reports. They are earning  
17          sufficient returns and a fair return on their  
18          investment in the state, and we would argue well  
19          beyond what we think is a fair return on their  
20          investment in the state.

21          So we just -- we don't see any reason at this  
22          point to change the rule that would have this  
23          detrimental rate impact, especially for -- you  
24          know, again, just looking at the electric side --  
25          for TECO's customers.

1 Thank you.

2 CHAIRMAN SMITH: Mr. Rehwinkel.

3 MR. REHWINKEL: Thank you, Madam Chairman. I  
4 am obviously pro rule. I don't have any arguments  
5 against the rule, but I, again, would reiterate  
6 that if there are to be facts that bear against the  
7 rule, we ought to have an evidentiary hearing on  
8 that if we are going to go forward with this  
9 repeal. So we would say -- we would hold our  
10 opinion about facts against the rule until there  
11 has been a draw-out and an evidentiary hearing.

12 Thank you.

13 CHAIRMAN SMITH: Thank you.

14 All right. The final question -- this is kind  
15 of a overall: Does any stakeholder have any other  
16 questions or concerns that they want to discuss?

17 MR. WRIGHT: Thank you, Madam Chair.

18 FPL wishes to thank your staff and your  
19 General Counsel for their efforts to provide  
20 greater clarity and guidance regarding the  
21 determination of regulated utilities' federal  
22 income tax expense in Commission proceedings.  
23 While the parent debt adjustment is not applicable  
24 to FPL because it independently issues its own  
25 debt, FPL supports staff's proposal to amend the

1 rule to provide better guidance and clarity, and  
2 avoid potential disputes in ratemaking proceedings  
3 before this commission.

4 Thank you.

5 MS. CUELLO: Duke doesn't have any questions  
6 or comments, but we would like to say that we  
7 support staff's recommended amendments to this  
8 rule, and just want to thank them for all the work  
9 they have put into this.

10 MS. KEATING: FPUC and FCG also want to thank  
11 staff for bringing this all together, and we  
12 support staff's changes.

13 MR. WAHLEN: We are happy to be here. We  
14 learned a lot, and I assume there might be some  
15 post-hearing comments opportunities, so we will --

16 CHAIRMAN SMITH: Yeah. Yeah. We will have  
17 postworkshop comments.

18 MR. WAHLEN: Yeah, we will reserve our  
19 comments until then.

20 Thank you.

21 MR. DEASON: I, too, would support staff's  
22 recommendation in the repeal of this rule.

23 MR. MARSHALL: I just wanted to thank you for  
24 hearing our concerns on behalf of Florida Rising  
25 today, and we look forward to the opportunity to --

1 appreciate the opportunity to present postworkshop  
2 hearing comments.

3 Thank you.

4 MR. REHWINKEL: Despite my comments at the  
5 beginning about not appreciating being here, I  
6 would like to thank the Commissioners especially  
7 for your interest in this process and the  
8 questions. I have been doing this for 40 years,  
9 and I always appreciate when the Commissioners take  
10 an interest in a matter and ask thoughtful  
11 questions like you have done today, and so I want  
12 to thank you for that.

13 Thank you.

14 CHAIRMAN SMITH: Thank you.

15 All right. Commissioners, do y'all have any  
16 additional questions or comments here?

17 Yeah, Commissioner La Rosa. Oh, it is? Okay.  
18 I am sorry. I always forget to look.

19 COMMISSIONER LA ROSA: I forget to press the  
20 button.

21 CHAIRMAN SMITH: I move my head around.

22 COMMISSIONER LA ROSA: It's just convenient, I  
23 can just grab your attention. Thank you, Madam  
24 Chair.

25 I guess this question is he for staff, and

1           then I will make a comment maybe depending on kind  
2           of what I hear.

3           We jumped right in, right. And I appreciate  
4           it. We got, like, right into the weeds. That's  
5           awesome. But maybe better help me understand,  
6           because we started by talking about Florida is not  
7           in line kind of with the regulatory world of where  
8           things have shifted or where things have altered.  
9           I thought I heard some discussion about FERC. I  
10          saw -- it certainly was in the presentation about  
11          how now FERC's regulatory formula has changed in  
12          their approach.

13          I guess help me better understand where  
14          Florida lies in comparison to other states. Have  
15          other states made changes? And I guess what I am  
16          trying to get to is what is the benefit for our  
17          state and our customers? Because I sometimes think  
18          we are a little bit different from the rest of the  
19          world, or the country.

20          MR. CICCHETTI: I think in Duke's comments,  
21          you heard that no other state makes this type of  
22          adjustment.

23          COMMISSIONER LA ROSA: Has that always been  
24          the case?

25          MR. CICCHETTI: No, that has not always been

1 the case. This issue has evolved over time --

2 COMMISSIONER LA ROSA: Right.

3 MR. CICCHETTI: -- and as more academic  
4 studies were presented, and as the issue got  
5 fleshed out, Commissioners and FERC changed their  
6 position on how this should be handled.

7 COMMISSIONER LA ROSA: I guess where -- are we  
8 late to the party? Is that a good answer -- or a  
9 good question? Are we late to the party in the  
10 sense that has there been a lot of changes? Has  
11 there been more recent changes by other states? Or  
12 was it a while back, and we are just -- we have  
13 just been pushing this off, as I think was spoken a  
14 few times, that this is, you know, 40 plus years?

15 MR. CICCHETTI: I think staff has tried to  
16 address this over time over the years. My  
17 understanding was recently Iowa and Missouri had a  
18 double leverage adjustment, but they no longer do  
19 that, so I don't think there is anybody in the  
20 country that's making that type of adjustment, or  
21 variant of the double leverage adjustment. So I  
22 think, you know, for lack of a better term, we are  
23 a little late to the party.

24 COMMISSIONER LA ROSA: Okay. And that's fair.  
25 And I appreciate that insight, and kind of what's

1           happening around the country.

2           Madam Chair, I don't know in if this is a good  
3           time just to kind of make a quick comment. I don't  
4           know if we have another bite at the apple.

5           CHAIRMAN SMITH: Oh, yeah. Oh, yeah. You --  
6           it is a workshop, so we are just -- this is --

7           COMMISSIONER LA ROSA: I love the informality.

8           CHAIRMAN SMITH: Yeah. Yeah.

9           COMMISSIONER LA ROSA: That's why I didn't  
10          wear a tie today.

11          CHAIRMAN SMITH: No ties.

12          COMMISSIONER LA ROSA: Yeah, I'm just kind of  
13          winging it a little bit, but I kind of feel like I  
14          always do that.

15          So I will just say this. I am looking forward  
16          to hearing the responses. I do think that the  
17          conversation was robust. I think this is  
18          necessary. I think if anything in the  
19          policy-making process, I think you should always be  
20          looking at what you are doing, always be looking at  
21          challenges, always looking at advancing our state,  
22          which is, you know, I believe one of our primary  
23          goals here and necessities.

24          I guess what I would love to see in the briefs  
25          is maybe a point to -- and I am looking over at

1 Florida Rising and OPC, because I probably would  
2 expect this and wouldn't have to say this  
3 necessarily, but looking at where our rate impacts  
4 are and just real world examples of where the  
5 benefits or, frankly, the lack of benefits. And I  
6 would expect that anyways, but I can't just tell  
7 you how important that is at this point in time.

8 Maybe there is -- maybe there is a timing  
9 scenario with this rule change. Maybe it doesn't  
10 have to be a whatsoever. I don't know. I am  
11 still, I believe, coming to conclusions, and I am  
12 looking forward to kind of reading the additional  
13 briefs.

14 And I want to know, is there an opportunity to  
15 advance our state? I heard some good discussion, I  
16 believe, from the water companies. I would love to  
17 hear more about that, and I am happy to give you a  
18 chance to respond, and tell us what are those  
19 hurdles? Why would a customer benefit?

20 I think I have isolated maybe water companies  
21 certainly here today, and a few times in recent  
22 past agendas, because I am concerned about aging  
23 infrastructure. I am concerned about customers  
24 that are ingesting an element, right, that we  
25 regulate, and I just want to make sure that we are

1 doing everything that's possible.

2 So, Madam Chair, if it's okay just to have  
3 maybe --

4 CHAIRMAN SMITH: Mr. Deason, if you want to  
5 respond.

6 COMMISSIONER LA ROSA: -- Mr. Deason respond  
7 to have if that's what you are indicating --

8 CHAIRMAN SMITH: You can also save for your  
9 post-hearing comments.

10 MR. DEASON: Yeah, I would agree with that.  
11 Yes. I mean, there definitely having a better  
12 regulatory environment for water companies would be  
13 great, because you want to attract that capital,  
14 that low cost of capital to come to your state.

15 I just want to provide a little bit of  
16 clarification what Mark was talking about other  
17 states, and how they have treated double leverage.  
18 If you want to look at some of the recent decisions  
19 that address double leverage, I would point you to  
20 Iowa American Water Company's docket RPU 2016-002,  
21 so 10 years ago. That is one where the Commission  
22 had a longstanding practice of accepting double  
23 leverage. That specific docket that is the first  
24 time they rejected double leverage, and they go  
25 into great detail on the justifications for

1            basically taking a 180 on a double leverage  
2            adjustment. So I would encourage you to read that  
3            order, especially in that docket.

4                       There is another one in Tennessee. This goes  
5            to Docket No. 18-00017. And that involved  
6            Chattanooga Gas Company. Once again, that's where  
7            the Commission basically took a 180 on their  
8            longstanding practice of making double leverage --  
9            double leverage adjustments. So that's another  
10           good order to read as well.

11                      COMMISSIONER LA ROSA: Thank you.

12                      CHAIRMAN SMITH: Commissioner Ortega.

13                      MR. REHWINKEL: Madam Chairman?

14                      CHAIRMAN SMITH: Do you mind.

15                      COMMISSIONER ORTEGA: Yeah.

16                      CHAIRMAN SMITH: Okay. Go ahead.

17                      MR. REHWINKEL: I just wanted to address this  
18            issue about FERC, and we addressed it in our  
19            comments in 2023.

20                      The FERC's retreat, if you will, wasn't based  
21            on what we are talking about here today. They were  
22            concerned about nonregulated affiliates of  
23            pipelines weren't in any kind of regulated business  
24            that had losses, and those losses were finding  
25            their way into reducing income tax expense of the

1 regulated subsidiary. That is not what we've got  
2 going here. So I would urge caution about relying  
3 on what the FERC has done.

4 And I also would urge caution is not get it  
5 mixed up about double leverage, which affects what  
6 the capital structure and the equity ratio that is  
7 used for ratemaking purposes and the WACC, the  
8 weighted average cost of capital that is used for  
9 ratemaking purposes. This is not that.

10 And then finally, just because other states  
11 don't do it doesn't mean anything to the customers  
12 in Florida. They are living here and they want  
13 their rates to be set based on the true cost of  
14 serving them.

15 If we want to look at what other states do, we  
16 can look at the returns on equity that other states  
17 do, and that national standard is totally  
18 different. But, you know, so I think it's best to  
19 leave everything the way it is, but I appreciate we  
20 will brief, including the questions that Mr. --  
21 that Commissioner La Rosa has asked us to address.

22 I just would hope that we don't rush that  
23 along. We have other cases and things going on.  
24 So we would like to have plenty of time to research  
25 some of the new legal precedent that we've heard

1 from other water companies around the state. We  
2 would like to have plenty of time to be able to get  
3 this --

4 CHAIRMAN SMITH: We will address that in the  
5 next steps portion --

6 MR. REHWINKEL: Thank you.

7 CHAIRMAN SMITH: -- as far as timing.  
8 Commissioner Ortega.

9 COMMISSIONER ORTEGA: Thank you. And just a  
10 quick follow-up from Commissioner La Rosa's  
11 questions.

12 As I understand it, we have this rule on the  
13 books, but we have an opportunity for people to  
14 provide evidence about why we wouldn't apply the  
15 rule to their specific companies, and I am curious  
16 while you were looking at the other states if they  
17 also have -- and, again, this could be filed  
18 later -- to Commissioner La Rosa's point, you know,  
19 what makes Florida different? Why are we doing it  
20 different?

21 Not that that's a negative. In fact, we do a  
22 lot of amazing things here differently, and we are  
23 proud of that, but if we could delineate if other  
24 states didn't have that opportunity, maybe that's  
25 why they changed their rule, but just some

1           understanding around the separation, I think is  
2           what he was asking, and I would like to hear some  
3           more of too.

4           CHAIRMAN SMITH:   Okay.   Other Commissioners?

5           Okay.   I have a couple of questions for staff,  
6           and I am going to kind of frame them as, like, you  
7           know, we are what a workshop is.   We are trying --  
8           like, what's the problem we are trying to solve  
9           here, you know?   And I am glad that we are doing  
10          all of this.   And I think we've had a really --  
11          this has been a really thoughtful and important  
12          discussion.

13          Is amending the current rule addressing an  
14          actual pattern of over- or under-recovery of income  
15          taxes?   Are we saying it's largely precautionary?

16          MR. CICCHETTI:   If I am understanding your  
17          question, you are asking is the income tax expense  
18          of the utility being set correctly?

19          CHAIRMAN SMITH:   Right.

20          MR. CICCHETTI:   Yeah.   Under -- with the PDA  
21          rule, our position is, no, it's not.   We take the  
22          revenues, the expenses, we figure out the net  
23          operating income, the profits, and then we apply  
24          the state and federal tax rates to that to  
25          determine income tax expense.   And then under the

1 PDA rule, if there is a parent company and there is  
2 any debt on the books, we reduce that income tax  
3 expense based on the calculation in the rule.

4 I take great exception to -- well, the reason  
5 is why do we do that? Well, under the rule is the  
6 cost to the parent company is actually lower, that  
7 tax benefit, than should be, at the parent level,  
8 should be used to reduce the income tax expense at  
9 the regulated utility.

10 Why would we do that? The argument that  
11 Public Counsel is making is that having debt on the  
12 parent's balance sheet is some type of affiliate  
13 transaction abuse, and I strongly disagree with  
14 that.

15 The ultimate assumption underlying both the  
16 parent debt adjustment and the double leverage  
17 adjustment is the debt at the parent level ought to  
18 be at the subsidiary level, at the utility level.  
19 Well, those arguments are issues in the case. What  
20 should the amount of debt be? What should the  
21 equity ratio be? But both the double leverage and  
22 the parent debt adjustment go outside of the rate  
23 setting the cost of service and then reduce the  
24 income tax expense for the utility based on the  
25 debt at the parent level.

1           So in the example I gave earlier, if you have  
2           two identical utilities, one is going to have lower  
3           rates because of the parent debt adjustment simply  
4           because the parent had some debt on its balance  
5           sheet.

6           If they are both identical in terms of cost of  
7           service, why should they have different rates?  
8           What's the justification? So the justification  
9           goes back to, well, there is a benefit at the  
10          parent level, let's transfer that to the regulated  
11          utility. That violates the stand-alone concept.

12          And the reasoning about, well, the cost is  
13          lower because of the source of funds, that violates  
14          the principle that the return should be based on  
15          companies of comparable risk and what their  
16          requirements are.

17          CHAIRMAN SMITH: And I appreciate that, and I  
18          will have a legal question for legal staff as far  
19          as the stand-alone principle, but I guess what I am  
20          asking is less about theoretical and more about,  
21          like, actual data, actual --

22          And then, so similarly on that sort of  
23          question, like, do we have actual evidence that the  
24          current PDA rule results in artificially low rates  
25          that have increase of frequency of rate cases -- or

1 rate case -- yeah, rate increase requests? Because  
2 that's part of the justification for amendment.

3 MR. CICCHETTI: Yeah. For example, in Tampa  
4 Electric's last rate case, the revenue impact --  
5 revenue requirement impact was \$15 million. So  
6 over four years, that's \$60 million dollars of  
7 their cost of service that was reduced due to this  
8 adjustment.

9 So, obviously, if they experience any cost  
10 pressures, increased investment, not having that  
11 \$60 million actually, you know, it's going to cause  
12 them to come in sooner rather than later.

13 Did it cause the rate case? Well, maybe not,  
14 but obviously having \$60 million of their cost of  
15 service reduced due to this adjustment is not  
16 setting their rates based on their cost of service.

17 CHAIRMAN SMITH: Did we ask that in data  
18 request -- did staff ask that in data requests  
19 during the rate case process about, you know, is  
20 that, you know, part of the reason that they are  
21 coming in at sort of at this time?

22 MR. CICCHETTI: Well, in the rate cases, there  
23 a minimum filing requirement where that, if it  
24 applies, that calculation is made --

25 CHAIRMAN SMITH: Right. We --

1           MR. CICCHETTI: -- so then this situation is,  
2           well, we have this rule, we have to make that  
3           adjustment. And so, you know, there may be  
4           discovery about how the calculation was made, but  
5           basically we have to apply the rule.

6           CHAIRMAN SMITH: Okay. The last question.  
7           Sorry, Mr. Cicchetti. I think you feel like -- I  
8           think you might have the best -- and we have talked  
9           -- we did talk about it as far as rate impact and  
10          stuff. I just -- I really want to be super clear,  
11          because we had an Agenda Conference addressing this  
12          proposed rule change in 2024, and then  
13          specifically, like, I think Commissioner Clark, at  
14          that time, I think I asked at that time, about, you  
15          know, actual quantifying the magnitude of customer  
16          impact under the current rule versus the proposed  
17          amendment.

18          I think what -- when you look at the  
19          transcript, what I was envisioning back then, if I  
20          can put myself two years ago, is, like, I wanted  
21          a -- I wanted a comparative chart of this is what,  
22          you know, under the current rule customer bill  
23          impact -- the bill impact versus if the rule was  
24          changed, what the number would be.

25          Do we have -- you know, do we actually -- do

1           we have that information? Like, can staff provide  
2           that to us and to the stakeholders here?

3           MR. CICCHETTI: In terms of getting the per  
4           bill impact, we would have to get that from the  
5           utility. But if we change, alls we would be doing  
6           is removing the parent debt adjustment. Whatever  
7           that dollar amount is, that would no longer be the  
8           case if the rule was amended to what we are  
9           recommending, or what's included in the proposal to  
10          amend the rule. And so how that affects an  
11          individual bill, we would just need to get with the  
12          companies and get that information.

13          CHAIRMAN SMITH: I guess I will reiterate from  
14          two years ago that we really want that information  
15          to make -- you know, if this rulemaking, either  
16          creating a rule, or amending a rule, or, you know,  
17          deleting a rule needs to be anchored and, like,  
18          demonstrated harm or risk. And without that  
19          information, we don't have any way of having actual  
20          comparable numbers. So, yeah, that would be really  
21          helpful.

22          I don't -- you know, like, again this is  
23          something that you guys can address in post-hearing  
24          -- in the postworkshop comments, or if staff,  
25          because I don't -- I don't think -- I mean, legal

1 can they -- I think -- the opportunity for asking  
2 for data request is probably over for this,  
3 correct?

4 MS. SAPOZNIKOFF: We can either send out  
5 another data request, or just based on the  
6 discussion that's had here today, you know, request  
7 that they include that information in their  
8 post-hearing workshop -- postworkshop comments.

9 CHAIRMAN SMITH: Yeah. I know, I keep calling  
10 it hearing too, but it's -- no, thank you.

11 I mean, if that's -- if that's something that  
12 the companies think that they can provide, but I am  
13 trying to be, like, flexible here, but, you know,  
14 we really need to -- we need this information.

15 I guess I will just apologize, like, we should  
16 already have this because we had asked for this two  
17 years ago, but we are -- this is where we are, so  
18 that's -- I am just -- yeah, I would imagine  
19 that -- yeah, I know Commissioner Clark wants that  
20 information.

21 Okay. I am going to pivot then, because Mr.  
22 Cicchetti, I feel like you brought up -- I just  
23 want to understand legally, I think you said  
24 current -- our current rule, we are in violation of  
25 the stand-alone principle in our rate cases, is

1           that accurate?

2           MR. CICCHETTI:   Yes.

3           CHAIRMAN SMITH:   Could I get, like, a legal  
4           opinion on that?  Because that sounds, to me,  
5           dicey.

6           MS. SAPOZNIKOFF:   Our current rule is valid  
7           and doesn't violate any legal standard.  It was  
8           properly promulgated within the statutory authority  
9           and range of discretion that the Commission has.

10          Similarly, if the Commission was to consider  
11          some sort of change, that's also within our  
12          legislative authority and within your range of  
13          discretion.  But there is nothing that requires any  
14          change to this rule, repeal of the rule, or a  
15          change in the policy that the Commission has been  
16          applying.

17          CHAIRMAN SMITH:   Okay.  And final question  
18          that, I guess, on that -- sort of related.  Is  
19          there any requirement that, any sort of  
20          requirement, any statutory change, anything that  
21          would make us have to change the rule at this time?

22          MS. SAPOZNIKOFF:   No.

23          CHAIRMAN SMITH:   Thank you.

24          I am sorry, I just took a lot of time.

25          Commissioners, any other -- anything else?

1           Okay. So now we have got -- and, again, I  
2           would probably just reiterate to the stakeholders  
3           here, that kind of back and forth, the questions I  
4           asked, feel free to address those in your  
5           postworkshop comments.

6           So we have gone through all of that. Staff,  
7           can we go through the next steps for this proposed  
8           rulemaking?

9           MS. SAPOZNIKOFF: Certainly. Thank you,  
10          Chairman.

11          As we've discussed today, we do anticipate  
12          having stakeholders filing written comments  
13          following this workshop. We had initially  
14          anticipated a deadline of doing that of May 6th,  
15          2026, which is two weeks from today. That's our  
16          standard practice.

17          Based on OPC's comment, before we adjourn, I  
18          would like to hear from them as to what additional  
19          sort of time they would be looking for; also from  
20          the other stakeholders of how long it will take for  
21          them to get the information that we need to give  
22          the Commission the information on the comparison of  
23          rate impact.

24          If we could also clarify, do you just want  
25          what it would have been in the last rate case, or

1 the last two rate cases? Or what sort of  
2 comparison do you want on that?

3 So everyone is permitted, and I guess more  
4 likely now required to file comments with the  
5 information we have requested. Even if you didn't  
6 attend, if you are watching this, if you did not  
7 attend today and if you want to file written  
8 comments, you are permitted to do so.

9 In responding, if there is any particular rule  
10 language that any stakeholder would recommend other  
11 than what staff has recommended, we request that  
12 you provide that in a type-and-strike format for us  
13 to consider. And any postworkshop comments should  
14 be filed in this docket, which is 20240019-PU.

15 Pursuant to Section 120.54(2)(a)2, Florida  
16 Statutes, the Commission has until September 30th,  
17 2026, to decide whether or not it wants to propose  
18 any amendments to this rule. This docket is  
19 tentatively scheduled for the August Agenda  
20 Conference, which would give us time before that  
21 deadline to reconvene, if necessary. So in  
22 deciding when you would want to extend the deadline  
23 for postworkshop comments beyond May 6th, please  
24 keep that in mind.

25 Thank you.

1 CHAIRMAN SMITH: Thank you.

2 So I should go to Mr. Rehwinkel now. Do you  
3 have a suggestion as to --

4 MR. REHWINKEL: Well, I have already had to  
5 change travel plans to be here today. I have  
6 travel plans in May to go to New York for family  
7 reasons. I don't know what the rush is.  
8 Certainly, we've played ball every time this has  
9 come up, and we will again.

10 I would ask that comments be due sometime in  
11 June. I mean, we just got a rate case filed  
12 Monday. We are under pressure in our office. So  
13 if you truly want to hear us address this very  
14 informative workshop with postworkshop comments, we  
15 will need more time than early May.

16 MS. SAPOZNIKOFF: Would June 1st be  
17 acceptable? And again, just after we get --

18 MR. REHWINKEL: It would be better.

19 MS. SAPOZNIKOFF: -- staff is going to need  
20 time to consider them and then get the  
21 recommendation in time for the Agenda Conference.

22 CHAIRMAN SMITH: Could we split that and do  
23 mid-June? That can give --

24 MR. REHWINKEL: That would be --

25 CHAIRMAN SMITH: -- I mean, I am just trying

1 to think maybe of a --

2 MR. REHWINKEL: Thank you. That would be -- I  
3 mean, something like that would be helpful. And  
4 again, I think we have established that there is no  
5 clock running on this thing, I don't think, is  
6 there?

7 MS. SAPOZNIKOFF: Yes, there is. We need to  
8 propose or not propose any amendment by September  
9 30th. That's why it's going to the August Agenda  
10 Conference. There were statutory changes to 120.54  
11 last session.

12 MR. REHWINKEL: But there would be a September  
13 Agenda option?

14 MS. SAPOZNIKOFF: Correct. September 30th is  
15 our deadline --

16 MR. REHWINKEL: Thank you.

17 MS. SAPOZNIKOFF: -- to file a notice of  
18 proposed rule if there is going to be a change, or  
19 to decide we are not going to change and then  
20 withdraw -- or notify JAPC that we are not going  
21 forward with rule development.

22 CHAIRMAN SMITH: I am just going to pause for  
23 a second because I see our General Counsel looking  
24 at potential calendar --

25 MS. HARPER: I am looking at the calendar.

1 Our rec would be due July 23rd.

2 CHAIRMAN SMITH: Okay.

3 MS. HARPER: So we would need some time to be  
4 able to incorporate the comments into the  
5 recommendation.

6 CHAIRMAN SMITH: Okay. I'm trying to be  
7 accommodating here. I understand. I mean, like  
8 you said, of course we want -- we want your  
9 comments. We want as much as we can here to make  
10 the right decision. Even giving one additional  
11 week, so that's June 8th, is that a little bit --

12 MS. SAPOZNIKOFF: That's fine from staff.

13 MR. REHWINKEL: That would be appreciated,  
14 Madam Chairman.

15 CHAIRMAN SMITH: Yes. Yes. Okay. Good. We  
16 have consensus.

17 Okay. So let's just say that those  
18 postworkshop comments, if we could have those  
19 submitted by June 8th, 2026.

20 Any other matters?

21 MR. WAHLEN: I have a question --

22 CHAIRMAN SMITH: Yes.

23 MR. WAHLEN: -- about the post-hearing  
24 comments. Tampa Electric and Peoples provided  
25 information about the magnitude of the parent debt

1 adjustment in all of their, I think last five right  
2 cases, and there seems to be a question about  
3 what's the rate impact in the future. I just want  
4 to make sure we understand what the expectation is.

5 Saying what the rate impact in the next rate  
6 case that we haven't decided to file yet, and that  
7 we hope we don't anytime soon, you know, if the  
8 rule is repealed is a tricky thing. We can tell  
9 you what the effect of the current rule is, but to  
10 say, you know, what it's going to be if it's  
11 repealed in the next rate case requires a lot of  
12 assumptions, and we are working hard like the other  
13 utilities to not come in for a rate case.

14 So are y'all looking for information that is  
15 not already in our data request responses in the  
16 post-hearing comments?

17 MS. SAPOZNIKOFF: I think we are looking for a  
18 comparison that we have the information in the data  
19 response to what was the parent debt adjustment in  
20 your last rate case. And is it fair to say,  
21 because of all the discussion of how we calculate  
22 the revenue requirement then work back off of it,  
23 is it simply going to be a flip that if your  
24 reduction, based on the parent debt adjustment,  
25 was, say, 25 cents, that the rate impact had it not

1           been applied would have been an increase of 25  
2           cents, or is there not a direct one-for-one  
3           correlation? So not looking at prospective  
4           cases --

5           MR. WAHLEN: Okay.

6           MS. SAPOZNIKOFF: -- just based on past cases,  
7           what was the parent debt adjustment that was made,  
8           and had that rule not be been in place that the  
9           rule that staff has put the suggested amendments to  
10          of doing the stand-alone approach, what would the  
11          average bill have been without applying a parent  
12          debt adjustment?

13          And then I guess the question is, does the  
14          Commission want it just for the last rate case, or  
15          do you want some more historical data on that?

16          CHAIRMAN SMITH: I think just the last rate  
17          case --

18          MR. WAHLEN: Okay.

19          CHAIRMAN SMITH: -- would be the most --

20          MR. WAHLEN: All right. I just wanted to  
21          understand what the expectation was.

22          Thank you.

23          CHAIRMAN SMITH: Thank you. Thanks for that  
24          clarification.

25          Anything else from the Commission?

1           Okay. We have now reached the end of our  
2           workshop. Does anybody else have anything to add  
3           before I officially -- all right, so on behalf of  
4           the Commission, thank you all for your  
5           participation today. This workshop is adjourned.

6                       (Proceedings concluded.)

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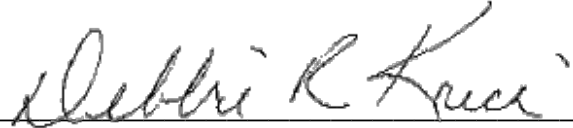
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