BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed amendment of Rule 25-14.004, F.A.C., Effect of Parent Debt on Federal Corporate Income Tax	DOCKET NO. 20240019-PU
	FILED: June 8, 2026

FLORIDA RISING'S POST-APRIL 22, 2026 WORKSHOP COMMENTS

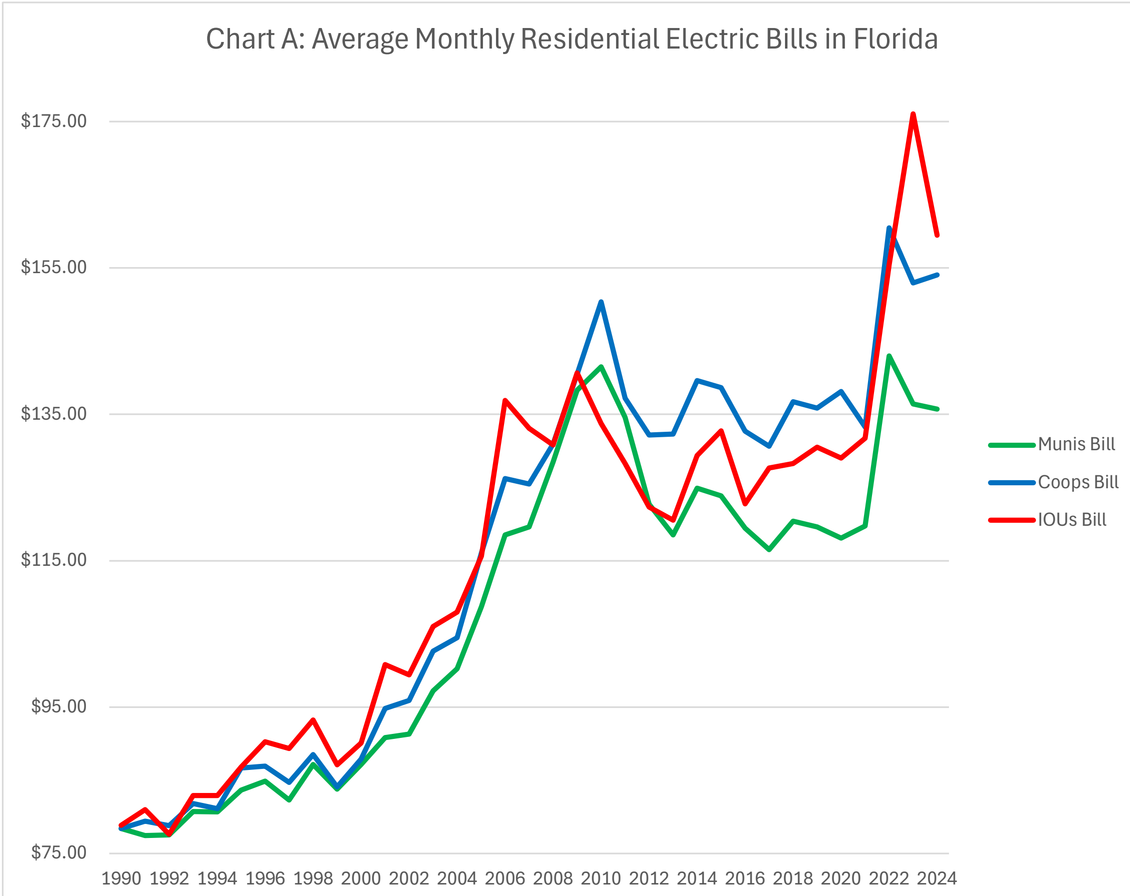
Florida Rising, Inc. ("Florida Rising") welcomes the opportunity to file written comments following the workshop held on April 22, 2026, in this docket. As is known to millions of residential energy consumers in the state of Florida, electricity costs for investor-owned regulated utilities ("IOUs") have soared in recent years, exacerbating the existing affordability crisis felt by all. From 2013 to 2025, average residential electric costs increased annually by $574.32 for Florida Power & Light ("FPL") consumers, $669.60 for Duke Energy Florida ("Duke") consumers, and $755.28 for Tampa Electric ("TECO") consumers.[1] The return on equity per consumer has, not surprisingly, also increased for each major investor-owned utility in the state since 2009, with FPL witnessing a leap from $167.10 per customer to $678.45, Duke from $166.13 to $457.88, and TECO from $212.62 to $581.68.[2] As a result of these heightened costs, millions of Floridians are disconnected from the energy grid each year for their inability to pay these unattainable bills; Florida ranks second in the nation for its number of disconnections. Staff's proposed amendment to Rule 25-14.004, Florida Administrative Code, will only harm consumers further.

[1] *See* the published data from the U.S. Energy Information Administration's ("EIA") Forms 861 and 861-M, available at https://www.eia.gov/electricity/data/eia861/ and https://www.eia.gov/electricity/data/eia861m/.
[2] Return on equity from Earnings Surveillance Reports as filed with the Florida Public Service Commission.

I. Repeal of the PDA Will Raise Energy Bills for IOU Customers, Broadening the Gap Between Shareholder Profits and Costs of Service

The proposed amendment threatens to tip the scales even more heavily in favor of shareholders, who have yet to express a reluctance to invest capital in Florida due to this rule, over residential customers, who have much to lose from such a rule change. The Parent Debt Adjustment ("PDA") plays a role in being one of the few ratepayer-friendly rules to attempt to balance those scales. Under the PDA, the equity infusion in a subsidiary utility is rebuttably presumed to mirror the debt-to-stock ratio of the parent company. The federal tax deductions available to the parent company are thus imputed to the subsidiary utility for the parent-supplied equity in the subsidiary equity balance, with customers benefiting from the resulting reductions in rate increases. The PDA therefore bridges this gap between the pure equity supposedly invested in the subsidiary solely by shareholders and the reality of the actual equity and debt in the capital structure, with the parent's attendant benefit of the tax deductions associated with the payment of interest on the debt presumptively invested in the subsidiary being used to reduce the customers' electricity cost burden. An elimination of the rule would remove this carefully crafted, battle-proven consumer protection in favor of filling shareholder coffers ever more to the brim.

Nothing paints the picture as vividly as a comparison of IOUs to the alternative utility models in Florida, municipal utilities and cooperative utilities. The below graph based on data from the United States Energy Information Administration ("EIA") demonstrates the sharp rise in average residential electric bills for IOUs relative to those of cooperatives and municipalities, despite the rural, less cost-effective nature of cooperatives.



Rescinding the PDA will only raise IOU customer bills further, as demonstrated by the data request responses from TECO, Duke, and Peoples Gas System ("PGS"), contravening the Commission's mission to "promote good utility practices and procedures" and foster "adequate and efficient service to the public at reasonable costs." Fla. Admin. Code R. 25-6.002. Such a mission requires, instead, retaining this balancing tool to counteract the already-heightened rates for IOU ratepayers.

II. The PDA Does Not Have a Negative Impact on Returns on Equity or Investments in the State

Staff to the Public Service Commission ("Staff') has argued both that the returns on equity for shareholders in Florida are bloated beyond normal bounds as a result of the PDA, Tr. 12-13, May 6, 2026, *and* that shareholders and investors are deterred from investing in Florida due to the PDA's negative impact on returns. *Id.* at 11-12. One cannot claim both. The evidence, indeed, shows the contrary for both averments.

For one, the PDA has not, by any demonstrated evidence, been shown to have an inflating impact on a utility company's ROE. If one were to entertain that notion, one would expect FPL, as the utility that has rebutted the presumption inherent in the PDA and is therefore not subject to the rule, to have the lowest ROE in the state. Instead, FPL boasts the highest ROE in the entire lower 48. The PDA's impact on ROEs, if there is any at all, is thus certainly not that argued by Staff, and is not the cause behind Florida's exorbitant ROEs.

Furthermore, the PDA does not prevent utilities from recovering their costs of service and earning their rates of return. The PDA was promulgated in the 1980s in recognition of and as a response to the unfair benefits parent company shareholders received at the expense of ratepayers when those companies invested debt into the utilities' capital structure and deducted the interest on that debt from their federal income taxes. *See Gen. Tel. Co. of Fla. v. Fla. Pub. Serv. Comm'n*, 446 So. 2d 1063, 1068-69 (Fla. 1984) ("We find that the adjustment implemented by the rule in question and the resulting income tax expense attributed to the utility are more representative of the economic realities of a parent-subsidiary consolidated tax liability than is an expense figure calculated as if the subsidiary utility had filed a separate return."). Costs to consumers did not accurately reflect the utility companies' actual expenses as a result. Without such an adjustment mechanism, TECO's customers, for instance, would have been on the hook for an additional, undue $12.9 million in the company's 2024 rate case, beyond their already exorbitant energy bills. TECO's Resp. to Staff's First Data Req. (Nos. 1-6) 2. This would have increased the monthly 1,000 kWh residential bill by $1.12 per month, which is an understatement of the true impact as TECO customers average higher electricity usage than

1,000 kWh. *Id.* TECO customers need all the rate-relief they can get. In March of 2026, the most recent month for which EIA has monthly data available, while FPL and Duke Energy Florida both had average residential bills of less than $131, TECO had an average residential bill of almost $163. Repealing the PDA protections will just serve to further increase the bills of TECO customers. By adjusting rates to accurately reflect ratepayer expenses, the PDA merely levels the playing field without ever impacting a utility company's recuperation of servicing costs.

Electric companies and investors are thus not unduly deterred from Florida by the PDA and the impact it may have on their returns; in fact, the opposite seems to be true. Parent companies and investors have boasted about the strength of their investments in Florida, and the state's heightened returns on equity lend credence to these brags. If shareholders and investors were truly worried about the state of Florida's energy investment scheme, we would not see internal conversations and full pockets that indicate the contrary. *See NextEra Energy, Inc. (NEE) Q1 FY2026 Earnings Call Transcript*, Yahoo Fin. (Apr. 23, 2026, at 09:00 ET), https://finance.yahoo.com/quote/NEE/earnings/NEE-Q1-2026-earnings_call-547064.html; Emera Incorporated (EMA.TO) Q1 FY2026 Earnings Call Transcript, Yahoo Fin. (May 8, 2026, at 08:30 ET), https://finance.yahoo.com/quote/EMA.TO/earnings/EMA.TO-Q1-2026-earnings_call-564690.html; Duke Energy (DUK) Q1 2026 Earnings Transcript, Motley Fool (May 5, 2026, at 14:52 ET), https://www.fool.com/earnings/call-transcripts/2026/05/05/duke-energy-duk-q1-2026-earnings-transcript/.

III. The Iowa and Tennessee Decisions Involve Pure Double Leverage Adjustments and Case-Specific Exemptions and are Not Relevant to the PDA

While some other states have specifically declined to use double leverage adjustments in parent-subsidiary scenarios, the PDA is, significantly, *not* a pure double leverage rule. Two particular double leverage cases were mentioned during the workshop: The final order of the Iowa Utilities Board in Docket No. RPU-2016-0002, and the order of the Tennessee Public Utilities Commission in Docket No. 18-00017. The decision of the Iowa Utilities Board (now the Iowa Utilities Commission) emphasized the double leverage adjustment's impact on the capital structure of the utility subsidiary and the rate of return of the parent company. *In re: Iowa-Am. Water Co.*, Docket No. RPU-2016-0002, 2017 WL 818588, at *18 (Iowa Util. Bd. Feb. 27, 2017). This meaning of double leverage mirrors the definition of a pure double leverage adjustment accepted by all in the workshop, Tr. 42-44, May 6, 2026, and distinguished by many from the PDA's modification of such an adjustment. *Id.* at 44-47. Furthermore, even setting aside these differences and assuming complete conformity between the two policies does not suggest that Florida is "behind the times," so to speak. The Iowa Utilities Commission expressly stated that the double leverage policy would no longer be applied to *only the petitioner in the case, In re: Iowa-Am. Water Co.*, 2017 WL 818588, at *19, similar to the finding in a 2005 settlement before this Commission that FPL rebutted the presumption of the PDA and is thus not subject to the rule. Flexibility in applying the parent debt adjustment concept based on the particularities of a certain matter is a shared trait, not a unique one, among Florida and states such as Iowa.

The Tennessee Public Utilities Commission similarly rejected the application of its purely capital structure double leverage rule to a particular petitioner on a unique set of facts. The rate case, involving a subsidiary natural gas company of a parent corporation that owned electric companies as well as other gas companies, presented a matter of first impression for the Commission. Am. Order, Docket No. 18-00017, at 62 (Tenn. Pub. Util. Comm'n Jan. 15, 2019). Under Tennessee law, the resulting rate of return for a rate case must be comparable to that of similar companies set by the regulatory body. *Id.* at 61. Because the capital structure under a double leverage application, as calculated, would result in a non-comparable rate of return for the petitioner utility, the Commission rejected the proposed double leverage capital structure. *Id.* at 61-62. This consideration is not relevant to the PDA because, as emphasized above, the PDA does not, and has never purported to, have an impact on the capital structure of the subsidiary utility. The particularities of Tennessee law and of the case before the Tennessee Public Utilities Commission in Docket No. 18-00017 therefore hold no relevance to the matter now before us.

Accepting Staff's claim that other states that previously used more PDA-adjacent adjustments have since changed course, the exceptional nature of Florida's returns on equity nevertheless more than justifies this consumer-oriented policy. FPL, the largest utility company in Florida, has the highest ROE of all utilities in the contiguous United States. Boasting a rate of 11.7%,[3] FPL significantly outpaces the national average of roughly 9.7% for electric companies. Timothy Winter, *Utilities – U.S.*, Gabelli (Oct. 6, 2025), https://gabelli.com/research/utilities-u-s-2/. TECO and Duke, too, have ROEs that exceed this national average, at 10.5% and 10.3% respectively. High prices and high ROEs place Florida in a unique position, one that necessitates consumer protection from ever-increasing utility bills.

IV. The Florida Supreme Court has Repeatedly Affirmed Usage of the PDA

The PDA, in its over forty-year history, has produced ample support from the Florida Supreme Court. In *Citizens of Florida v. Hawkins*, 356 So. 2d 254 (Fla. 1978), the Court held that the stand-alone approach used by the Commission was unsupported by the record and remanded for application of a consolidated approach to the subsidiary's income tax expenses by considering the debt-to-equity ratio of the parent company. *Id.* at 259-60. Upon a challenge to the PDA after its codification, the Court found the rule to be within the Commission's discretion as a

[3] Although not the mid-point, this is the ROE being enjoyed by FPL.

well-reasoned policy choice and not arbitrary and capricious. *Gen. Tel. Co. of Fla. v. Fla. Pub. Serv. Comm'n*, 446 So. 2d 1063, 1067 (Fla. 1984). Beyond being battle-tested and proven before the Commission, the PDA has thus also received judicial affirmation. This lengthy history of support and perseverance serves as a testament to the PDA's wisdom as a well-fought and well-earned consumer protection.

V. Conclusion

Florida customers of IOUs are no stranger to exorbitant energy bills. Despite the Commission's mission to ensure reasonable rates, these bills only keep rising, and the proposed amendment to Rule 25-14.004, Florida Administrative Code, will only further this trend, leading to even more grid disconnections. Florida ratepayers cannot afford another thumb on the scale in favor of shareholders. Nor do shareholders need even more profits: Florida IOUs have achieved extreme ROEs, and the PDA's nonexistent negative impact on such ROEs is no threat to potential investors. Florida's need lies instead in reducing the effects of the current affordability crisis for consumers, not increasing them. The Florida Supreme Court has repeatedly affirmed the use of the PDA for just that purpose. To avoid removing one end of this already off-kilter scale entirely, Florida Rising vehemently opposes the proposed amendment in this matter.

RESPECTFULLY SUBMITTED this 8th day of June, 2026.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing was served on this 8th day of June, 2026, via electronic mail on:

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DATED this 8th day of June, 2026.

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