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In re: Acquisition Adjustment
Workshop Regarding Rule 25-30.0371,
Florida Administrative Code

Undocketed
ECONOMIC REGULATION

UTILITIES, INC.'S POST-WORKSHOP COMMENTS

UTILITIES, INC. ("UI"), owns and operates twelve (12) water and/or wastewater utilities in Florida that are regulated by the Florida Public Service Commission and all of which were acquired by purchase. UI believes that the Commission's current acquisition adjustment policy as articulated in Rule 25-30.0371, Florida Administrative Code ("Rule") functions as intended to meet the purpose of the Rule.

While the first workshop on the current Rule took place on December 2, 1999, the codifying of the Commission's acquisition adjustment policy into a rule was first proposed by the Office of Public Counsel ("OPC") in November 1989, and the first formal workshop was held in December 1994.¹ That was followed by another formal workshop on February 7, 2001, which ultimately culminated in the Rule some eighteen (18) months later.²

The adoption of the Rule was a compromise between OPC and the regulated utilities. The Rule has worked well. No one has pointed out any circumstances where the Rule did not work as intended and as negotiated between OPC and the regulated utilities. There have been no controversies in proceeding regarding acquisition adjustments, reducing legal and administrative expenses to the utilities, OPC and

¹ An informal workshop was held in March 1990.

² PSC Order No. PSC-02-0997-FOF-WS (July 23, 2002) ("Order").

Commission Staff. UI does not believe that there is any reason to proposed amendments to the Rule.

In the Order, the Commission articulated its policy of encouraging acquisition of smaller water and wastewater systems by larger, better run utilities, and the benefits to both the customer and acquiring utility:

We still believe that our current policy provides a much needed incentive for acquisitions. The buyer earns a return on not just the purchase price but the entire rate base of the acquired utility. The buyer also receives the benefit of depreciation on the full rate base. Without these benefits, large utilities would have no incentive to look for and acquire small, troubled systems. The customers of the acquired utility are not harmed by this policy because, generally, upon acquisition, rate base has not changed, so rates have not changed. Indeed, we think the customers receive benefits which amount to a better quality of service at a reasonable rate. With new ownership, there are beneficial changes: the elimination of financial pressure on the utility due to its inability to obtain capital, the ability to attract capital, a reduction in the high cost of debt due to lower risk, the elimination of substandard operating conditions, the ability to make necessary improvements, the ability to comply with the Department of Environmental Regulation and the Environmental Protection Agency requirements, reduced costs due to economies of scale and the ability to buy in bulk, the introduction of more professional and experienced management, and the elimination of a general disinterest in utility operations in the case of developer owned systems. Order at p.2.

The proposed changes to the Rule are all of such a nature as to be contrary to the Commission's policy of encouraging the acquisition of small, poorly run or financed utility companies. It seems that the driving force behind the proposed changes are all directed toward lessening the incentives for such acquisitions, by increasing the amortization period for a negative acquisition adjustment. There does not appear to be any technical basis for a seven year amortization period, and the current period should not be changed from the current five year amortization period which was the result of a negotiated resolution between OPC and the industry. In those proceedings, the industry

proposed no amortization period and OPC sought a six to ten year amortization period, thus, the compromise period of five years was reached. UI does not believe that any changes to the Rule are warranted.

Respectfully submitted on this 15th
day of June, 2010, by:

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CERTIFICATE OF SERVICE
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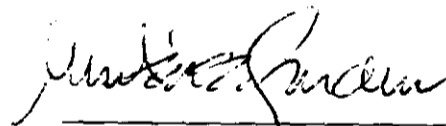
I HEREBY CERTIFY that a true and correct copy of the foregoing Post-Workshop Comments has been furnished by U.S. Mail to the following parties this 18 day of June, 2010:

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