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February 17, 1998

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32301

Re: Docket No. 960235-WS, Application for Transfer of Certificate
Nos. 404-W and 341-S in Orange County from Econ Utilities
Corporation to Wedgefield Utilities, Inc.

Docket No. 960283-WS, Application for Amendment of Certificate
Nos. 404-W and 341-S in Orange County by Wedgefield Utilities,
Inc.

Dear Ms. Bayo:

Enclosed for filing on behalf of Wedgefield Utilities are the
original and fifteen copies of the following documents:

Wedgefield Utility's Motion to File Supplemental
Testimony and Exhibits on Burden of Proof

and

Supplemental Testimony and Exhibits of Frank Seidman.

Thank you for your assistance.

Sincerely yours,

Ben E. Girtman

- ACK _____
- MFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG 2 Encls.
- LN 3417 w/encl. Mr. Carl Wenz
Mr. Frank Seidman
- OPC _____
- RCH _____
- SEC 1
- WAS 1
- OTH _____

testimony
DOCUMENT NUMBER-DATE
02290 FEB 17 88
FPSC-RECORDS/REPORTING

motion
DOCUMENT NUMBER-DATE
02289 FEB 17 88
FPSC-RECORDS/REPORTING

ORIGINAL

SUPPLEMENTAL TESTIMONY AND EXHIBITS OF
FRANK SEIDMAN

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
REGARDING THE APPLICATION FOR TRANSFER OF
ECON UTILITIES TO WEDGEFIELD UTILITIES
IN ORANGE COUNTY

DOCKET NOS. 960235-WS and 960283-WS

Filed 2/17/98

DOCUMENT NUMBER-DATE
02290 FEB 17 88
FPSC-RECORDS/REPORTING

1 decisions in those orders that address acquisition
2 adjustments. A summary of that review is included
3 as an exhibit to my testimony.
4

5 Q. What is Issue No. 8?

6 A. Issue No. 8 reads, "Who bears the burden of proving
7 whether an acquisition adjustment should be
8 included in the rate base?"
9

10 Q. And what is the position of the PSC Staff?

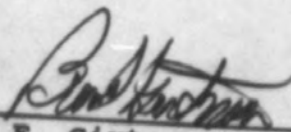
11 A. The position, as stated in the order, is "Rate base
12 inclusion of an acquisition adjustment changes rate
13 base and will ultimately affect the utility's
14 rates. While the burden of going forward with the
15 evidence as to the issue of rate base inclusion of
16 an acquisition adjustment may shift in any
17 particular case, the ultimate burden of proof
18 remains on the applicant utility." (emphasis added)
19

20 Q. Why is it necessary to submit supplemental
21 testimony on this issue?

22 A. It is necessary to submit supplemental testimony
23 because the staff has taken a position on burden of
24 proof, without support of its own testimony and

supplemental testimony and exhibits and provide the Commission Staff and the OPC an opportunity to file written rebuttal testimony, if either of them should so desire.

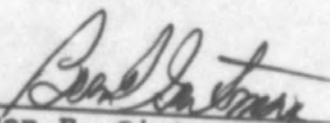
RESPECTFULLY SUBMITTED, this 17th day of February, 1998.


Ben E. Girtman
FL BAR NO. 186039
1020 E. Lafayette St.
Suite 207
Tallahassee, FL 32301

Attorney for Utilities, Inc.
and Wedgefield Utilities, Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been sent to Charles Beck, Esq. * Office of Public Counsel, 111 W. Madison St., Tallahassee, FL 32399-1400; Mr. John Forrer, Econ Utilities, Inc., 1714 Hoban Rd. NW, Washington, D.C. 20007; and to Jennifer Brubaker, Esq. * Division of Legal Services, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, by U.S. Mail (or by hand delivery * or facsimile #) this 17th day of February, 1998.


Ben E. Girtman

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02290 FEB 17 98

FPSC-RECORDS/REPORTING

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SUPPLEMENTAL TESTIMONY OF FRANK SEIDMAN
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
REGARDING THE APPLICATION FOR TRANSFER OF
ECON UTILITIES TO WEDGEFIELD UTILITIES
IN ORANGE COUNTY
DOCKET NOS. 960235-WS & 960283-WS

Q. Please state your name, profession and address.

A. My name is Frank Seidman. I am President of Management and Regulatory Consultants, Inc., consultants in the utility regulatory field. My mailing address is P.O. Box 13427, Tallahassee, FL 32317-3427.

Q. Have you previously filed rebuttal testimony on behalf of the Applicant, in this proceeding?

A. Yes.

Q. What is the purpose of your supplemental testimony?

A. The purpose of my supplemental testimony is to address the PSC Staff position on Issue No. 8 of Prehearing Order No. PSC-97-0952-PHO-WS. My testimony is based on a survey of all of the water and wastewater orders the commission issued from 1988 through 1997, and a review of the commission's

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decisions in those orders that address acquisition adjustments. A summary of that review is included as an exhibit to my testimony.

Q. What is Issue No. 8?

A. Issue No. 8 reads, "Who bears the burden of proving whether an acquisition adjustment should be included in the rate base?"

Q. And what is the position of the PSC Staff?

A. The position, as stated in the order, is "Rate base inclusion of an acquisition adjustment changes rate base and will ultimately affect the utility's rates. While the burden of going forward with the evidence as to the issue of rate base inclusion of an acquisition adjustment may shift in any particular case, the ultimate burden of proof remains on the applicant utility." (emphasis added)

Q. Why is it necessary to submit supplemental testimony on this issue?

A. It is necessary to submit supplemental testimony because the staff has taken a position on burden of proof, without support of its own testimony and

1 after all testimony deadlines had passed, that is
2 contrary to established commission policy.

3
4 The Applicant petitioned this commission to approve
5 a transfer of the water and wastewater certificates
6 of Econ Utilities Corporation to Wedgefield. The
7 commission approved the transfer and, in a proposed
8 agency action (PAA), established the rate base at
9 time of transfer as the net original cost of the
10 plant of the selling utility. No acquisition
11 adjustment was requested, and in accordance with
12 commission policy, in the absence of extraordinary
13 circumstances, none was included in rate base. In
14 other words, the commission ruled that rate base
15 was not affected by the transfer. The Office of
16 Public Counsel (OPC) protested the PAA,
17 specifically with regard to the lack of an
18 acquisition adjustment. In presenting its case,
19 Wedgefield directed its testimony to recounting
20 commission policy, establishing that Wedgefield,
21 acting within that policy, had not requested an
22 acquisition adjustment and to rebutting OPC's
23 testimony regarding extraordinary circumstances and
24 other claims. In other words, Wedgefield relied on
25 prior commission policy that because it had not

1 requested an adjustment, the burden was on the
2 proponent of the requested acquisition adjustment,
3 OPC, to prove why one should be included. The
4 staff position, expressed in response to Issue
5 No.8, contravenes commission policy and seeks to
6 place the burden on the utility to prove a negative
7 - that extraordinary circumstances do not exist,
8 and why it is not appropriate to adjust rate base
9 to something other than original cost.
10

11 Q. In preparing its case, did Wedgefield have any
12 reason to believe that it carried any burden of
13 proving why a negative acquisition adjustment
14 should not be included in rate base?
15

16 A. No. And in fact, Commissioner Deason, who dissented
17 from the majority decision in the PAA regarding the
18 acquisition adjustment and expressed his
19 disagreement with current commission policy,
20 reaffirmed Wedgefield's understanding of commission
21 policy. In his dissent regarding acquisition
22 adjustments, Commissioner Deason specifically
23 stated, "Under the current Commission policy, the
24 Commission does not place the burden of proof on
25 the utility to identify extraordinary
circumstances. The only 'burden' is on the utility

1 to identify such circumstances if they want the
2 acquisition adjustment recognized." (Emphasis
3 added.) Further, when Wedgefield petitioned for a
4 full commission hearing because the case might be
5 considered to involve a change in regulatory
6 policy, the commission denied that petition on the
7 grounds that the commission's decision does not
8 have to result from a change in policy but from a
9 finding of extraordinary circumstances. The clear
10 signal to Wedgefield was that "policy change" was
11 not an issue. But the staff's position, raised in
12 the prehearing order process, to shift the burden
13 to the utility to prove why no adjustment to rate
14 base is appropriate, would result in a change in
15 policy.

16
17 Wedgefield strongly disagrees with the staff's
18 position, but since that position is not supported
19 by staff testimony, Wedgefield has no opportunity
20 to rebut it. Therefore, Wedgefield is relying on
21 this supplemental testimony to address that
22 position.
23
24
25

1 Q. Does the staff's position make sense?
2 A. No. The premise for Staff's position is that "Rate
3 base inclusion of an acquisition adjustment changes
4 rate base and will ultimately affect the utility's
5 rates." (emphasis added). But since Wedgefield did
6 not request the inclusion of an acquisition
7 adjustment, it has done nothing that will result in
8 a change to rate base or rates. What is Wedgefield
9 to prove? Is the burden on Wedgefield to prove why
10 it is not changing rate base and rates? If so, how?
11 Or is the burden on Wedgefield to prove why it is
12 following established Commission policy? Again,
13 how? What are the standards of proof? What is the
14 procedure to be followed if an applicant is to be
15 required to prove a negative? There are no such
16 commission standards or procedures established for
17 Wedgefield, or any other utility, to follow in a
18 circumstance like this.

19 Q. How have you approached the issue?

20 A. In the only way which I believe is valid. I have
21 approached it by surveying and reviewing the orders
22 of the commission in previous cases addressing
23 acquisition adjustments and looking for some
24 guidance as to what, if anything, the commission
25

1 has previously required of a utility as proof that
2 extraordinary circumstances do not exist and that
3 no adjustment is appropriate. I then compared
4 Wedgefield's situation with the circumstances,
5 discussions and actions of the commission in those
6 orders.

7

8 Q. Why are previous orders the appropriate basis for
9 approaching the issue?

10 A. Acquisition adjustments are not a new issue for the
11 commission. It cannot simply take action in the
12 Wedgefield case in a vacuum, as if the subject had
13 never been considered before. If Wedgefield has to
14 prove something - and I do not think it does - it
15 has to be able to look at statutes, rules or orders
16 for guidance. The only official position taken by
17 the commission on this subject is in its orders.

18

19 Q. For what period did you review commission orders?

20 A. I reviewed all of the water and wastewater orders
21 for the period January, 1988 through December,
22 1997.

23

24

25

1 Q. Why did you limit your review to ten years?
2 A. Current commission policy was established in
3 generic proceedings by two orders, PAA Order No.
4 23376, 8/21/90 and Final Order No. 25729, 2/17/92.
5 I included the two year period 1988-1989 leading up
6 to the first formal, generic statement of
7 commission policy in 1990 as an indication of how
8 policy was being established on a case by case
9 basis. The rest of the orders indicate how the
10 commission addressed the acquisition adjustment
11 issue after it had formally established its policy
12 on a generic basis.

13
14 Q. Are the results of your review available in this
15 proceeding?

16 A. Yes. I have prepared Exhibit (FS-1)_____ which
17 contains two parts. Part I is a List of Orders
18 addressing acquisition adjustments, positive and
19 negative, from 1988 through 1997. Part II is a
20 Summary of Decisions on Acquisition Adjustment,
21 recapping those orders as they apply to acquisition
22 adjustments. Part II also summarizes the content of
23 any dissenting opinions regarding acquisition
24 adjustments.

25

1 Q. During the ten year period, how many commission
2 orders addressed acquisition adjustment?

3 A. There were 99 orders, including the PAA in this
4 case, addressing acquisition adjustments. Of
5 those, 31 specifically addressed negative
6 acquisition adjustments, 33 specifically addressed
7 positive acquisition adjustments, and 35 others
8 appear from the discussion to address positive
9 acquisition adjustments, but that fact was not
10 specifically stated in the orders.

11
12 Q. Of the 31 orders that addressed negative
13 acquisition adjustments, in how many was an
14 adjustment included in rate base?

15 A. In only three orders. Of the remaining 28 orders in
16 which a negative acquisition adjustment was not
17 included in rate base, twelve of them relied solely
18 on a statement of the commission's acquisition
19 adjustment policy as the reason for not including
20 an acquisition adjustment in rate base. The policy
21 statement in each of those orders was the same as
22 or similar to the language in Order No. 19163
23 (identified as Case no. 3 in my exhibit), which
24 reads: "In the absence of extraordinary
25 circumstances, Commission policy is that the

1 purchase of a utility at a premium or discount
2 shall not effect the rate base calculation. The
3 circumstances in this transfer are not unusual or
4 extraordinary; therefore, no positive [negative]
5 acquisition adjustment is included in rate base.
6 Further, the Applicants did not request that an
7 acquisition adjustment be included in rate base."

8 The remaining 16 orders that did not include a
9 negative acquisition adjustment in rate base
10 contained some additional discussion either in the
11 majority opinion or the dissent that gave some
12 insight into the commission or commissioner's
13 reasoning.

14
15
16 Q. Did you analyze those orders to determine if they
17 provided any guidance to Wedgefield regarding what
18 is necessary to prove that rate base not be altered
19 by a negative acquisition adjustment?

20 A. Yes I did. In the following paragraphs, I summarize
21 the comments in each of the 16 orders and relate
22 those comments to Wedgefield's situation. Each
23 order is identified by the case number I assigned
24 to it in my Exhibit (FS-1) _____.

1 Case No. 16 is a transfer case between Utility
2 Systems, Inc. and Sunshine Utilities. The purchase
3 price was less than rate base, but the commission
4 did not include a negative acquisition adjustment
5 in rate base. The commission indicated that in
6 other orders related to a negative acquisition
7 adjustment, it had considered whether the system
8 was in such poor condition that it needed
9 replacing and whether the purchase was prudent in
10 light of such factors as jurisdictional status,
11 growth potential and per customer operating costs.
12 There was no indication in the order that it was
13 the utility's burden to prove whether these
14 conditions existed or whether they were or were not
15 extraordinary circumstances. Nevertheless, in
16 Wedgefield's case, the system does not require
17 replacing, the jurisdictional status is known,
18 there is growth potential and the company has
19 indicated that the system will benefit from certain
20 economies under new ownership. The Wedgefield
21 transfer meets the conditions considered in the
22 Utility Systems, Inc. order, therefore, there is no
23 basis in these factors for including a negative
24 acquisition adjustment in Wedgefield's rate base.
25

1 Case No. 19 is a rate case for the Marion County
2 division of Southern States Utilities. The
3 commission, in a previous transfer docket, had
4 ruled not to include a negative acquisition
5 adjustment. At issue in this case was whether to
6 reverse that ruling based on the testimony in the
7 current record. OPC witness Terry Deason testified
8 the commission should change its policy and shift
9 to the utility the burden of proving that an
10 adjustment not be included, and that without an
11 adjustment, customers would pay a return on the
12 previous owner's rate base plus a return on SSU's
13 improvements. SSU witness Guastella testified that
14 a negative adjustment should not be included
15 because the customers would benefit by SSU's
16 ability to attract capital at a lower cost and by
17 economies of scale and managerial and operational
18 expertise. He also testified that the revenue
19 requirement associated with the net original cost
20 of the system would be no more than under the
21 previous ownership. The commission noted that any
22 improvements that had to be made were in the public
23 interest and that there was no new evidence
24 presented on which to alter its previous decision.
25 The arguments made by public counsel through

1 Witness Deason in the SSU-Marion County case, and
2 rejected by the commission, are the same arguments
3 made by OPC in the Wedgefield case. OPC's arguments
4 are the same, its conclusions are still incorrect,
5 and the benefits discussed in that order also
6 accrue to Wedgefield's customers. The response to
7 OPC's arguments and a discussion of the benefits to
8 Wedgefield's customers has already been provided in
9 my rebuttal testimony and in the testimony of Mr.
10 Wenz. The SSU-Marion County case supports
11 Wedgefield's position that the commission policy
12 is, absent extraordinary circumstances, not to
13 include a negative acquisition adjustment in rate
14 base and that the burden of proof is on the
15 proponent of an adjustment.

16
17 Case No. 43 involves a transfer from Grand Terrace
18 to SSU. The purchase price was approximately 40¢ of
19 rate base. OPC argued that no incentive to purchase
20 the system was necessary because the utility was
21 not having any problems. But the commission
22 responded that its policy on acquisition
23 adjustments did not require the seller to prove
24 hardship. OPC also argued that the seller would
25 show the below cost sale as a loss on its tax

1 return. The commission ruled the tax treatment of
2 the seller was irrelevant. In addition, OPC argued
3 that rate base should equal the original cost at
4 the time the assets were dedicated to public
5 service. The commission agreed with the principle
6 of rate base equal to original cost, but not with
7 OPC's interpretation of when the assets were
8 dedicated to public service. In accordance with
9 commission policy, a negative acquisition
10 adjustment was not included in rate base. This case
11 provides some guidance for the Wedgefield case with
12 regard to the OPC's and the commission's agreement
13 that rate base recognize the original cost of
14 assets at the time they are dedicated to public
15 service. This is consistent with the commission's
16 ruling in Order No. 25729 (issued some 16 months
17 following the order in this case) concluding its
18 investigation and confirming its acquisition
19 adjustment policy. Wedgefield and the PSC staff
20 have presented testimony establishing net original
21 cost as rate base. The Grand Terrace case also
22 provides guidance as to what Wedgefield does not
23 have to prove - hardship on the part of the seller.
24 The Grand Terrace case supports Wedgefield's
25 position that the commission policy is, absent

1 extraordinary circumstances, not to include a
2 negative acquisition adjustment in rate base and
3 that the burden of proof is on the proponent of an
4 adjustment.
5

6 Case No. 47 is a transfer from Springside, Inc. to
7 Springside at Manatee. The purchase price was at
8 12½ of rate base. In accordance with its policy,
9 the commission did not include a negative
10 acquisition adjustment in rate base. The commission
11 stated that although a large negative acquisition
12 adjustment resulted, the circumstances did not
13 appear to be extraordinary. This case provides
14 guidance for Wedgefield, in that OPC has alleged
15 that a large differential between purchase price
16 and rate base is an extraordinary circumstance. The
17 Springside order does not find a purchase at 12½ of
18 rate base as extraordinary. The Wedgefield
19 differential is not as great as in Springside.
20 Consistent with the Springside order, the
21 Wedgefield price/rate base differential is not
22 extraordinary. The commission decision in the
23 Springside Manatee case supports Wedgefield's
24 position that the commission policy is, absent
25 extraordinary circumstances, not to include a

1 negative acquisition adjustment in rate base. There
2 is nothing in this case suggesting there was any
3 burden on the utility to prove why a negative
4 acquisition adjustment should not be included.
5

6 Case No. 50 was a transfer from Pine Harbour to
7 Pine Harbour Water Utilities at a price less than
8 rate base. In accordance with its policy, the
9 commission did not include a negative acquisition
10 adjustment. No additional explanation was given.
11 Commissioner Deason dissented, stating that there
12 was no evidence to support the commission's
13 decision and that the utility should bear the
14 burden of proving why an adjustment should not be
15 included. He also stated that a negative
16 acquisition adjustment may not be proper in all
17 cases, but his dissent provided no indications of
18 in what situations it may be proper. This case does
19 not provide any guidance to Wedgefield beyond the
20 oft stated commission generic policy, nor is there
21 anything in this case suggesting there was any
22 burden on the utility to prove why a negative
23 acquisition adjustment should not be included.
24

1 Case No. 53 is a Staff Assisted Rate Case (SARC)
2 for The Woods, a division of Homosassa Utilities.
3 In this case, due to a lack of original cost
4 documentation, the original cost was determined by
5 a staff-prepared original cost study. The capital
6 structure was composed solely of negative retained
7 earnings. To balance the books, the commission
8 increased common equity to equal rate base "to
9 reflect the unrecognized negative acquisition
10 adjustment resulting from the purchase of this
11 utility at a discount." Commissioner Deason
12 dissented, stating that since this case involves an
13 initial determination of rate base, the purchase
14 price was superior to an engineering estimate. He
15 also stated that the commission's acquisition
16 adjustment policy was incentive based, and that
17 since the original cost study was performed after
18 the purchase, there is no evidence that an
19 incentive was needed in the acquisition. This case
20 provides guidance through the majority opinion and
21 the dissent. The determination of rate base in the
22 Wedgfield transfer is not an initial
23 determination. Rate base has been determined by the
24 commission in an earlier docket. Econ Utilities was
25 purchased by Wedgfield with full knowledge of the

1 commission's acquisition adjustment policy, and
2 Wedgefield took that policy into consideration, as
3 an incentive, in making the purchase. The stated
4 concerns of Commissioner Deason are not applicable
5 for Wedgefield. This case is supportive of
6 Wedgefield's position that a negative acquisition
7 adjustment not be included in rate base.
8 Additionally, there is nothing in this case
9 suggesting there was any burden on the utility to
10 prove why a negative acquisition adjustment should
11 not be included.

12
13 Case No. 55 is a transfer from Hideaway Services to
14 FIMC Hideaway resulting from a foreclosure. The
15 purchase price was less than rate base. In
16 accordance with PSC policy, a negative
17 acquisition adjustment was not included in rate
18 base. No further explanation was given.
19 Commissioner Deason dissented because there was no
20 indication that an incentive (i.e., no negative
21 acquisition adjustment included in rate) was needed
22 or that the buyer was even aware of the
23 commission's policy on acquisition adjustments. As
24 previously pointed out, Wedgefield was aware of
25 commission policy and it was a consideration in its

1 purchase. Commissioner Deason also noted in the
2 FIMC Hideaway case that the previous owner failed
3 to maintain the system, that the new owner would
4 have to spend considerable amounts to bring the
5 system into compliance and the customer would "pay
6 twice." This case does provide guidance for
7 Wedgefield because the commission specifically
8 noted that the previous owner failed to maintain
9 the system properly and the new owner had to make
10 considerable expenditures to bring the system into
11 compliance, but even so, these events did not
12 appear to be extraordinary. Similar allegations
13 have been made by OPC in the Wedgefield case. I
14 have responded to those allegations in rebuttal
15 testimony, and in my opinion the allegations are
16 neither correct nor applicable. Nevertheless,
17 relying on the FIMC Hideaway decision, even if such
18 allegations relating to maintenance were correct in
19 the Wedgefield case, they do not constitute
20 extraordinary circumstances and are not a basis to
21 include a negative acquisition adjustment in rate
22 base. Regarding Commissioner Deason's statement
23 that the customers would "pay twice," I disagree.
24 As long as accounting and ratemaking treatment is
25 consistent, regardless of ownership, the customers

1 pay only for the legitimate cost of assets and
2 expenses incurred and actually paid in their
3 behalf. By not including a negative acquisition
4 adjustment in rate base, neither the rate base nor
5 the rates to customers are affected by the
6 transfer. Customers will not pay for anything under
7 the new ownership that they would not have been
8 required to pay for under prior ownership. The
9 transfer is customer neutral, except for the
10 forthcoming benefits to the customers summarized in
11 testimony by Mr. Wenz. This case is supportive of
12 Wedgefield's position that the commission policy
13 is, absent extraordinary circumstances, not to
14 include a negative acquisition adjustment in rate
15 base and that the burden of proof is on the
16 proponent of an adjustment.

17
18 Case No. 59 is a transfer of assets from San Pablo
19 to Jacksonville Suburban (Jax). Jax requested that
20 a negative acquisition adjustment not be included
21 in rate base. The commission agreed, noting that
22 Jax had made improvements in the system and
23 management. This order provides guidance to
24 Wedgefield, which has made improvements to the
25 system it purchased and in the management of that

1 system. The Jax case is supportive of Wedgefield's
2 position that a negative acquisition adjustment not
3 be included in rate base. Additionally, there is
4 nothing in this case suggesting there was any
5 burden on the utility to prove why a negative
6 acquisition adjustment should not be included.
7

8 Case No. 63 is a transfer of assets from
9 Countryside to Pennbrooke Utilities. The sale is a
10 result of a bankruptcy and foreclosure. In
11 accordance with its policy, the PSC did not include
12 a negative acquisition in rate base. Commissioner
13 Deason dissented, but gave no reasons in his
14 dissent that would provide guidance. There is
15 nothing in this case that provides any guidance,
16 other than generic policy. Additionally, there is
17 nothing in this case suggesting there was any
18 burden on the utility to prove why a negative
19 acquisition adjustment should not be included.
20

21 Case No. 65 is the SSU/Deltona rate case, concluded
22 in 1993. In its post-hearing brief, OPC had argued
23 that a negative acquisition adjustment be included
24 in rate base. However, it did not specify the
25 adjustments nor did it sponsor or solicit any

1 evidence at hearing supporting its position. The
2 SSU/Deltona case supports Wedgefield's position
3 that the commission policy is, absent extraordinary
4 circumstances, not to include a negative
5 acquisition adjustment in rate base and that the
6 burden of proof is on the proponent of an
7 adjustment.

8
9 Case No. 76 is a case establishing rate base in the
10 transfer from Lake Placid to Lake Placid Utilities,
11 Inc. This system was purchased out of bankruptcy
12 by a subsidiary of Utilities, Inc. at a price less
13 than rate base. In accordance with commission
14 policy, rate base did not include a negative
15 acquisition adjustment. Commissioner Deason
16 dissented, but gave no reason that could be used as
17 guidance. This case supports Wedgefield's position
18 that the commission policy is, absent extraordinary
19 circumstances, not to include a negative
20 acquisition adjustment in rate base. There is
21 nothing in this case suggesting there was any
22 burden on the utility to prove why a negative
23 acquisition adjustment should not be included.
24

1 Case No. 77 involves the transfer of Lakeside Golf
2 to SSU at a price of approximately 40¢ of rate
3 base. In accordance with its policy, the PSC did
4 not include a negative acquisition in rate base.
5 As a consideration, the commission noted there were
6 no major service problems, no extraordinary
7 circumstances, and that SSU uniform rates would be
8 lower than the stand alone rates would have been
9 under the prior owner, had the prior owner been
10 charging for service. SSU, in support of its
11 position that a negative acquisition adjustment was
12 inappropriate stated that, as a starting point in
13 its purchase negotiations with the seller, it had
14 calculated rate base as if used and useful
15 adjustments had been made. It argued that to reduce
16 rate base by a negative acquisition and then apply
17 used and useful adjustments in the future would be
18 double counting. In the Wedgefield PAA, the
19 commission did mention that it considered the
20 likely impact of used and useful adjustments. There
21 is no indication in the SSU order that SSU's
22 argument was a factor in the commission's decision
23 in that case. Although no estimate of used and
24 useful adjustments has been made for Wedgefield, I
25 would agree with SSU that to include both a

1 negative acquisition adjustment and used and useful
2 adjustments on the same plant is double counting. I
3 would also point out that there need not be any
4 correlation between used and useful rate base and
5 purchase price. The commission, in an earlier order
6 (see Case No. 47) indicated that price/rate base
7 differential is not an extraordinary circumstance.
8 Although estimated used and useful may be a factor
9 considered by a potential purchaser in its
10 negotiations, used and useful adjustments are never
11 a factor in calculating rate base for purposes of a
12 transfer. They will be a factor in any rate case,
13 but the calculation of used and useful is not
14 dependent on who owns the system. This case
15 supports Wedgefield's position that the commission
16 policy is, absent extraordinary circumstances, not
17 to include a negative acquisition adjustment in
18 rate base. There is nothing in this case
19 suggesting there was any burden on the utility to
20 prove why a negative acquisition adjustment should
21 not be included.

22
23 Case No. 78 involves a transfer of assets from Lake
24 Utilities, LTD to SSU. This case is similar to the
25 Lakeside Golf case in Case No. 77, in that, as a

1 starting point in its negotiations, SSU had
2 calculated rate base as if used and useful
3 adjustments had been made and argued that to reduce
4 rate base by a negative acquisition and then apply
5 used and useful adjustments in the future would be
6 double counting. In accordance with its policy,
7 and without further explanation, the commission did
8 not include a negative acquisition adjustment in
9 rate base. Commissioner Deason dissented, without
10 opinion. There is nothing in this SSU case
11 suggesting there was any burden on the utility to
12 prove why a negative acquisition adjustment should
13 not be included. The case provides no other
14 guidance, other than generic policy.

15
16 Case No. 83 involves a transfer of assets from
17 Tamiami Village Utility to Tamiami Village Water.
18 The purchase price is approximately 41% of rate
19 base. In accordance with its policy, the commission
20 did not include a negative acquisition adjustment
21 in rate base. The order provided no other basis for
22 the decision. Commissioner Deason dissented on the
23 basis that the commission policy was supposed to be
24 an incentive, but this buyer was unaware of the
25 policy and misunderstood the purpose of an

1 acquisition adjustment. As discussed under previous
2 cases, Wedgefield was aware of the policy and it
3 was a factor in its considerations. The only
4 guidance from this case is that Wedgefield show
5 that commission policy was a factor in its
6 purchase. It has done that in prefiled testimony.
7 There is nothing in this case suggesting there was
8 any burden on the utility to prove why a negative
9 acquisition adjustment should not be included.
10

11 Case 82 is a full rate case for SSU's PSC regulated
12 systems. In this case OPC revisited the issue of
13 acquisition adjustment specifically with regard to
14 the purchase of the Lehigh and Deltona systems and
15 with regard to policy in general. It was pointed
16 out by the commission that both purchases were
17 stock transfers, and acquisition adjustments were
18 not applicable. Regardless, the commission
19 discussed the Lehigh and Deltona purchases and
20 noted that even a showing that Lehigh was purchased
21 at 45% of book value did not demonstrate that
22 extraordinary circumstances exist. The commission
23 went on to reaffirm its generic acquisition
24 adjustment policy. It also reiterated its
25 observation that not including a negative

1 acquisition adjustment does no harm to customers,
2 because, generally, rate base and rates do not
3 change and customers often receive a better quality
4 of service. This case is supportive of
5 Wedgefield's position that the commission policy
6 is, absent extraordinary circumstances, not to
7 include a negative acquisition adjustment in rate
8 base. The guidance this case provides to Wedgefield
9 is that the PSC's policy is still intact and that
10 the differential between rate base and purchase
11 price does not demonstrate that extraordinary
12 circumstances exist. Commissioner Deason dissented,
13 restating his basic position, but also
14 distinguished the SSU case because of the issue of
15 uniform rates and the allegation that uniform rates
16 result in a cross subsidy of the effect of no
17 negative acquisition adjustment. Uniform rates is
18 not a factor in the Wedgefield case, so there are
19 no special issues in the dissent to which to
20 respond. There is nothing in this case suggesting
21 there was any burden on the utility to prove why a
22 negative acquisition adjustment should not be
23 included.
24

1 Case No. 91 is a SARC for J&J Water and Sewer. This
2 \$32,000 system was purchased for one dollar, or
3 .003% of rate base. The commission noted that
4 circumstances were extraordinary due to the
5 combination of the \$1.00 price and the sale of 91
6 lots to the new owner at a price of \$17,500.
7 However, the commission did not include a negative
8 acquisition adjustment because of other mitigating
9 circumstances. The seller had filed for abandonment
10 of the utility system and that abandonment was put
11 off due to the sale of the system. In addition,
12 including a negative acquisition adjustment would
13 have resulted in inadequate operating funds and
14 might possibly have triggered another abandonment
15 proceeding. Commissioner Deason dissented,
16 asserting that the transfer did not meet the goals
17 of the commission's policy because there was no
18 incentive involved in that the sale of the utility
19 was a by-product of the sale of the lots; the
20 purchase was not by a large utility; and, the
21 purchaser had no previous experience. None of
22 concerns in Commissioner Deason's dissent are
23 factors in the Wedgefield case. As addressed in
24 previous testimony, for Wedgefield, the incentive
25 that flows from the commission's acquisition

1 adjustment policy was a factor, the purchaser is a
2 large utility, and it does have utility experience.
3 Commissioner Deason's concerns do provide guidance
4 and are supportive of Wedgefield's position that
5 there are no extraordinary circumstances in this
6 transfer that would warrant including a negative
7 acquisition adjustment in rate base. There is
8 nothing in this case suggesting there was any
9 burden on the utility to prove why a negative
10 acquisition adjustment should not be included.

11

12 Q. Could you summarize the factors addressed by the
13 commission in the previous 16 cases you have
14 discussed.

15 A. Yes. The following are factors that the commission
16 considered when ruling not to include a negative
17 acquisition adjustment in rate base:

18 1. Is the system in such poor condition that it
19 needs replacing? (Case No. 16)

20 2. Was the purchase prudent in light of
21 jurisdictional status, growth potential and per
22 customer operating costs? (Case No. 16)

23 3. Are there benefits due to the purchaser's
24 ability to attract capital at lower costs,

1 economies of scale and managerial and operational
2 expertise? (Case No. 19)

3 4. Is the purchaser making improvements in the
4 public interest? (Case Nos. 19, 59)

5
6 Wedgefield has provided testimony regarding each of
7 the above considerations, confirming that there are
8 no extraordinary circumstances in this purchase and
9 that, consistent with current commission policy and
10 with the decisions of the commission over the last
11 ten years, a negative acquisition adjustment should
12 not be included in rate base.

13
14 In addition to the above factors, the commission
15 found that it was not necessary to show hardship on
16 the part of the seller (Case No. 43), that the
17 purchase price to rate base relationship was not an
18 extraordinary factor (Case Nos. 47, 89), and that
19 the failure of the previous owner not to maintain
20 the system and considerable expenditures by the new
21 owners were not extraordinary circumstances and
22 were not reasons to include a negative acquisition
23 adjustment in rate base. (Case No. 55).

24

1 Additional concerns raised in dissenting opinions
2 were that the purchaser be aware of and have
3 considered the "incentive" purpose of the
4 commission policy (Case Nos. 53, 55, 83), that
5 uniform rates not result in cross subsidies (Case
6 No. 89), that the purchaser be a large utility with
7 expertise in utility operations (Case No. 91) and
8 that customers not pay for anything twice (Case No.
9 55). Regardless of whether these factors were of
10 concern to the majority in any order, Wedgefield
11 has addressed those concerns in this case,
12 confirming that there are no extraordinary
13 circumstances in this purchase and that, consistent
14 with current commission policy and with the
15 decisions of the commission over the last ten
16 years, a negative acquisition adjustment should not
17 be included in rate base. Wedgefield believes it
18 has met all its burdens of proof in this case.
19

20 Q. Was there any indication in these 16 orders that
21 the burden of proof was on the purchaser to show
22 why it should not change rate base by not including
23 a negative acquisition adjustment?

24 A. No. None whatsoever.
25

- 1 Q. In how many of the cases you reviewed was a
2 negative acquisition adjustment included in rate
3 base?
4 A. A negative acquisition adjustment was included in
5 three cases.
6
7 Q. Would you discuss the commission's reasoning in
8 those three cases and if or how it may apply to the
9 Wedgefield case?
10 A. The first case is identified in my exhibit as Case
11 No. 36. It occurred in 1990 and addressed the
12 purchase of the Beacon 21 water and wastewater
13 utility by Laniger Enterprises. In that case, the
14 commission had, in a PAA, not included a negative
15 acquisition adjustment in rate base. The PAA was
16 protested by OPC. The Applicant and OPC entered
17 into a settlement in which they agreed that rate
18 base be set at the purchase price. In the order
19 accepting the settlement, the commission noted that
20 the OPC had alleged extraordinary circumstances.
21 The commission noted that recognition of
22 acquisition adjustments for ratemaking purposes
23 goes against its established practice. It did not
24 rule on the allegations, but in the absence of any

1 evidence to the contrary, and with the acquiescence
2 of the utility, it approved the settlement.

3 Since this was a settlement, no issues of fact were
4 addressed. The only guidance for Wedgefield is 1)
5 the commission's statement that recognition of
6 acquisition adjustments for ratemaking purposes
7 goes against its established practice, and 2) its
8 seeming reluctance to include the adjustment in
9 rate base. This case leads Wedgefield to believe
10 that it does not have to prove that not including a
11 negative acquisition in rate base is necessary.
12 Wedgefield has not requested anything that would
13 cause a change to rate base or rates as a result of
14 the circumstances of the transfer.
15

16
17 Q. Would you please discuss the next case in which a
18 negative acquisition adjustment was included in
19 rate base?

20 A. The second case is identified in my exhibit as Case
21 No. 62. It was a staff assisted rate case for CGD
22 Corp. that occurred in 1993. In this case the
23 commission explained that the transfer involved an
24 extraordinary circumstance and set rate base equal
25 to the purchase price. The commission identified

1 as extraordinary circumstances: 1) that it involved
2 a three party nontaxable exchange in which two of
3 the parties, the initial developer and the final
4 utility owner (developer family trust) were
5 considered virtually the same, 2) that the
6 developer fully recovered its investment in the
7 utility through the exchange, and 3) that without
8 the adjustment, the developer (i.e., developer
9 family trust) would allegedly double recover its
10 investment.

11
12 None of the circumstances in the CGD Corp. case are
13 applicable to Wedgefield. The Wedgefield transfer
14 involved an arms length transaction between
15 unrelated parties. There are no trusts involved.
16 There is nothing in the CGD order that provides
17 guidance to Wedgefield.
18

19 Q. Now, would you please discuss the third case in
20 which a negative acquisition adjustment was
21 included in rate base?

22 A. The third case is identified in my exhibit as Case
23 No. 69. It was decided in 1993. It involved a rate
24 application for Jasmine Lakes in which the
25 commission reversed its decision in a 1990 transfer

1 docket. In the transfer docket (Case No. 44 in my
2 exhibit), the commission, based on its policy, did
3 not include a negative acquisition adjustment. The
4 rate case order stated that OPC had argued that 1)
5 the utility was in "bad shape" at purchase 2) the
6 prior owner did not maintain the utility, 3) the
7 prior management was neglectful, 4) and that a
8 negative acquisition adjustment would insulate the
9 customers from the failures of prior management. A
10 majority of the commission agreed with OPC's
11 position that a negative acquisition adjustment was
12 appropriate. The commission stated it based its
13 decision on customer testimony, the need for
14 repairs and improvements at the time of transfer,
15 and the lack of responsibility of [prior]
16 management. Additionally the commission noted that,
17 at the time of transfer, the utility was already
18 purchasing 80% of its water from the county, yet
19 the utility had earned a return on the water plant
20 components for two years.
21

22 Q. Were there any dissents to the majority opinion?

23 A. Yes. Commissioner Johnson dissented for three
24 reasons: 1) the commission had already rendered its
25 decision on this issue in a previous order, 2) the

1 OPC witness had testified that the purchase was not
2 extraordinary, and 3) in the absence of
3 extraordinary circumstances, the prior decision
4 should remain undisturbed. This dissent is
5 consistent with the policy and prior decisions of
6 the commission.

7

8 Q. Are there any similarities between the
9 circumstances in the Jasmine Lakes case and this
10 case?

11 A. Yes, there is one. There is an allegation in the
12 Wedgefield case that maintenance, by the prior
13 management, was done only on an emergency basis and
14 that significant investment may be needed to bring
15 the utility up to standards. I have already
16 responded to those allegations in my rebuttal
17 testimony and will not repeat that response here.
18 The commission's decision in Jasmine Lakes
19 (11/18/93) was construed to include the prior
20 owner's failure to maintain the system as a reason
21 to include a negative acquisition adjustment. Such
22 an interpretation would be inconsistent with its
23 decision in the earlier FIMC Hideaway case
24 discussed above (Case No. 55, 1/18/92). Such an
25 inconsistency would leave affected parties with

1 little guidance as to what the policy of the
2 commission actually is. The Jasmine Lakes decision
3 is more properly construed to prevent full recovery
4 of the costs associated with water plant components
5 in a system for which 80% of the water was being
6 purchased from another utility system.

7
8 There is no similarity at Wedgefield to the Jasmine
9 Lakes situation wherein allegations were made of
10 earning on unused treatment plant while purchasing
11 most of the water from the county. That situation
12 does not exist in this case. Based on my rebuttal
13 response, there is nothing in this order that would
14 support including a negative acquisition in rate
15 base.

16
17 Even if the circumstances in the Wedgefield case
18 were the same as in Jasmine Lakes with regard to
19 alleged failures of the prior owners, I cannot
20 agree with the majority's solution in the Jasmine
21 Lakes case. The Jasmine Lakes case raises the
22 question as to how a utility under the jurisdiction
23 and surveillance of this commission for many years
24 would be allowed to provide allegedly inadequate
25 maintenance and be negligent in its management,

1 without being noticed or subject to investigation
2 and penalty. If that situation were true, the
3 question arises as to why the solution to the
4 commission's failure to act is to penalize a new
5 owner committed to correcting the situation by
6 assessing a permanent reduction to the new owner's
7 rate base through a negative acquisition
8 adjustment, when the asset transfer has been found
9 to be in the public interest.
10

11 An asset transfer, without an acquisition
12 adjustment, puts the buyer in the shoes of the
13 seller. Therefore, only solutions to problems that
14 would have been applicable to the seller should be
15 applicable to the buyer. If maintenance were
16 inadequate, could the commission have permanently
17 reduced the rate base of the seller? No. What it
18 could do, at the time of a rate case, is make used
19 and useful adjustments for plant that is not
20 properly functioning or reduce expenses for
21 ratemaking purposes, if expenses are found to be
22 inappropriate. If prior owners were found to be
23 negligent, could the commission permanently reduce
24 the rate base of those owners as a solution? No.
25 But it could reduce its allowed rate of return, or

1 adjust allowed management salaries, or even impose
2 a penalty on that management, if the negligence was
3 willful. Even the condition wherein the utility is
4 purchasing most of its water from another utility
5 while still owning a water plant is usually
6 addressed by applying used and useful adjustments
7 or retiring the plant. The point is, the commission
8 cannot do to the buyer what it could not do to the
9 seller. The acquisition adjustment recognizes
10 extraordinary circumstances in a sale, if they
11 exist. It is not an arbitrary punishment to get
12 back at the seller because of perceived misdeeds
13 against which the commission failed to act in the
14 past. It, in fact, does not do that. Rather, the
15 procedure results in an arbitrary and capricious
16 punishment against the purchaser.

17
18 Q. In summation, was there any guidance in these three
19 cases you discussed as to what Wedgefield needs to
20 do to prove why it is being consistent with
21 established policy in not requesting an acquisition
22 adjustment to rate base?

23 A. No. One of the three cases involves a settlement
24 that resolves none of the facts, one case involves
25 a three-party nontaxable exchange with unique

1 circumstances that are not generally applicable and
2 are specifically not applicable to this case. The
3 third case involves a reversal of a prior decision,
4 resulting in inconsistent treatment of the same
5 facts regarding a prior owner's alleged failure to
6 maintain. It therefore provides no guidance.

7
8 Q. Did you find any guidance in the orders involving
9 positive acquisition adjustments?

10 A. There were 68 orders that deal with or appear to
11 deal with purchase prices above rate base. Of
12 these, only three had positive acquisition
13 adjustments included in rate base. All but ten of
14 the orders relied solely on a statement of the
15 commission's acquisition adjustment policy as the
16 reason for not including an acquisition adjustment
17 in rate base. In general, the ten orders that
18 included some additional support for the decisions,
19 identified the benefits customers should be
20 expected to receive if the positive acquisition
21 adjustment is included. For the most part, these
22 are the same benefits identified in the two generic
23 orders on acquisition adjustment policy. Wedgefield
24 has already provided testimony describing those
25 benefits anticipated to enure to Wedgefield's

1 customers as a result of the change in ownership.
2 Although those benefits are usually considered the
3 justification for increasing rate base through an
4 adjustment, Wedgefield's customers will enjoy those
5 benefits without an increase in rate base.
6

7 Q. Do you have any concluding remarks?

8 A. My exhibit provides the commission with a concise
9 history of its decisions on acquisition adjustments
10 for the last ten years. It shows quite vividly that
11 the commission has rarely ever included an
12 acquisition adjustment, positive or negative, in
13 rate base. When they involve a negative acquisition
14 adjustment, the circumstances are usually unique.
15 The purchase of Econ by Wedgefield is not unique.
16 In one of the cases reviewed, the commission
17 included a negative acquisition adjustment through
18 a reversal of a prior finding. If all of the
19 factual matters relating to that case were to be
20 construed to be the basis for including a negative
21 acquisition adjustment in rate base, the reasons
22 given would be entirely inconsistent with the
23 commission's prior decision in the same case and
24 inconsistent with the otherwise consistent policy
25 followed over that ten year period. There is

1 nothing in the history of acquisition adjustment
2 cases that suggests there was any burden on the
3 utility to prove why a negative acquisition
4 adjustment should not be included in rate base. It
5 has been the proponent of the adjustment that has
6 had to carry the burden. As previously stated in
7 the introduction to this supplemental testimony, I
8 have gone through this exercise in an abundance of
9 caution to respond to a staff position that is
10 inconsistent with the commission's acquisition
11 adjustment policy. And although we maintain the
12 position that this was an unnecessary exercise, I
13 believe the information and analysis provided, in
14 concert with the direct and rebuttal testimony
15 already submitted, supports Wedgefield's positions
16 that a negative acquisition adjustment not be
17 included in rate base and that the burden of proof
18 resides exclusively on the proponent of the
19 acquisition adjustment, positive or negative.
20

21 Q. How should Issue No. 8 be decided?

22 A. It should be decided consistent with the policy of
23 the commission as developed in policy Order Nos.
24 23376 and 25729 and consistent with the prior
25 orders of the commission considering acquisition

1 adjustments over the past ten years. That is, the
2 burden of proof is on the proponent of an
3 acquisition adjustment.
4

5 Q. Does that conclude your supplemental testimony?
6 A. Yes it does.

DOCKET NOS. 960235-WS and 960283-WS

PSC ORDERS ADDRESSING ACQUISITION ADJUSTMENT, 1988-1997

EXHIBIT (FS-1) _____ of FRANK SEIDMAN

consisting of 16 pages, including cover pages

DOCKET NOS. 960235-WS and 960283-WS
PSC ORDERS ADDRESSING ACQUISITION ADJUSTMENT, 1988-1997
EXHIBIT (FS-1) _____ of FRANK SEIDMAN

PART I
LIST OF ORDERS

PSC ORDERS ADDRESSING ACQUISITION ADJUSTMENT, 1988-1997

LIST OF ORDERS

Case No.	Adjust. P=Pos. N=Neg. ??	Reporter Cite	Docket No.	Order No.	Date	Short Title
1	??	88 FPSC 2: 288	870818-WU	18900	2/22/88	SSJ re Crystal River Highlands
2	??	88 FPSC 2: 318	870810-SJ	18907	2/22/88	Indiana Springs Utilities re Days Inn Crystal River
3	P	88 FPSC 4: 325	871188-WU	19163	4/18/88	Tropical Park Water
4	N	88 FPSC 4: 408	871138-WU	19182	4/23/88	SSJ re Bay Assoc.
5	N	88 FPSC 5: 38	871280-WU	19275	5/03/88	SSJ re Locke Well & Pump
6	N	88 FPSC 5: 287	880208-WU	19505	8/18/88	SSJ re Central Fla. Util.
7	P	88 FPSC 8: 207	870838-WS	19841	8/22/88	SSJ re Super Mill Creek
8	??	88 FPSC 8: 241	880204-SJ	19855	8/22/88	SSJ re Sugar Mill Creek
9	P	88 FPSC 8: 272	880257-WS	19867	8/22/88	Security S&L re Harder Hall
10	N	88 FPSC 8: 384	870848-WS	20063	8/28/88	Royal Utility re University Utility
11	P	88 FPSC 9: 543	880352-WU	20088	8/28/88	Atlantic Util. of Jax
12	??	88 FPSC 10: 218	880472-WS	20140	10/10/88	SSJ re Rolling Greens
13	??	88 FPSC 12: 236	880282-WS	20489	12/20/88	SSJ re El-Nar & C.L. Smith
14	??	88 FPSC 12: 458	880488-SJ	20618	12/23/88	SSJ re Welaka Utilities
15	??	88 FPSC 1: 288	881011-WU	20647	1/24/89	Homoseeas Utilities re Marathon U.S. Utilities
16	N	88 FPSC 2: 44	880607-WU	20707	2/09/89	SSJ re Silver Lake Est.
17	P	88 FPSC 3: 117	880605-WS	20858	3/08/89	Sunshine Utilities re Utility Systems, Inc.
18	N	88 FPSC 5: 184	881200-WU	21200	5/08/89	SSJ re 2 of W. Volusia Utilities' systems
19	N	88 FPSC 6: 50	880520-WS	21322	8/08/89	SSJ re Lake Ajay
20	P	88 FPSC 8: 388	880127-WS	21421	8/20/89	SSJ
21	P	88 FPSC 7: 383	880354-WS	21557	7/17/89	Tamiami Village Utility re Tamiami Utility
22	P	88 FPSC 7: 616	881338-WS	21631	8/02/89	King's Cove re Cove Utilities
23	P	88 FPSC 7: 635	881340-WS	21632	7/31/89	SSJ re Twin County Utility
24	P	88 FPSC 7: 655	880348-WU	21636	7/31/89	SSJ re Burnt Store
25	P	88 FPSC 8: 381	881832-WS	21758	8/21/89	SSJ re Imperial Mobile Terr.
26	P	88 FPSC 8: 410	881803-WU	21782	8/21/89	SSJ re Fisherman's Haven
27	??	88 FPSC 9: 101	880215-WU	21829	8/05/89	A.P. Utilities re N. Cent. Fla.
28	P	88 FPSC 9: 128	881338-WS	21836	8/05/89	SSJ re Inverness Utilities
29	??	88 FPSC 9: 385	881573-SJ	21913	8/18/89	SSJ re Twin County Utility
30	N	88 FPSC 11: 98	880233-WS	22150	11/08/89	SSJ re PIV(Seminole Co.)
31	N	88 FPSC 11: 338	881500-WS	22203	11/21/89	SSJ re Point O' Woods
32	??	88 FPSC 12: 332	881016-SJ	22345	12/27/89	Laniger Ent. re Beacon 21
33	P	90 FPSC 1: 38	880045-SJ	22371	1/08/90	N. Peninsula Utilities re Shore Utility
34	??	90 FPSC 5: 111	881317-WU	22915	5/08/90	E'F Corp. re LTB Utility
35	??	90 FPSC 5: 122	881250-WS	22916	5/08/90	SSJ re Lakeview Villas
36	N	90 FPSC 5: 237	881500-WS	22982	5/21/90	SSJ re Leisure Lakes
37	??	90 FPSC 6: 18	881321-WU	23024	6/04/90	Laniger Ent. re Beacon 21
38	P	90 FPSC 6: 388	881110-WS	23111	6/25/90	SSJ re Gospel Island Estates
39	??	90 FPSC 8: 312	880108-WS	23378	8/21/90	Jax Suburban re St. Johns N.
40	??	90 FPSC 8: 427	881187-WS	23387	8/23/90	J. Swiderick re King Cove
41	P	90 FPSC 10: 85	880222-WS	23542	10/01/90	SSJ re Silver Lake
42	??	90 FPSC 10: 481	880475-SJ	23643	10/22/90	San Pablo re El Agua
43	N	90 FPSC 10: 538	881320-WU	23656	10/23/90	Whiting Waterworks re Mid-County Services
44	??	90 FPSC 11: 114	880281-WS	23728	11/07/90	SSJ re Grand Terrace
45	??	90 FPSC 12: 389	880312-WU	23880	12/14/90	Jasmine Lakes Utilities re Jasmine Lake Services
46	??	90 FPSC 12: 674	880688-WU	23944	12/28/90	Windstream re Utility Systems
47	N	91 FPSC 1: 79	880408-WS	23970	1/08/91	Merion Util. re Windgate
48	??	91 FPSC 1: 163	880827-WS	23974	1/08/91	Springside at Manatee re Springside, Inc.
49	??	91 FPSC 2: 10	880888-WS	24050	2/01/91	Crystal Lakes Club re Century Group
50	N	91 FPSC 3: 885	880825-WU	24273	3/21/91	Ocean City Utilities re Beverly Beach Surfside
51	P	91 FPSC 8: 220	910118-WU	25063	8/13/91	Pine Harbor Water Utilities re Pine Harbour
52	P	91 FPSC 8: 267	910118-WU	25075	8/17/91	A.P. Utilities re Marico Prop.
53	N	91 FPSC 9: 529	880688-WS	25138	9/30/91	A.P. Utilities re Aqua Pure
54	??	91 FPSC 10: 249	910518-SJ	25217	10/14/91	The Woods, div. of Homoseeas Utilities
						Fairmont Util re Farmer Util.

NOTES: Adjustment ?? - Order did not specify type of adjustment. From text it would appear to be positive.
 Negative acquisition adjustments are shaded.

Summary of Adjustments addressed:

	Addressed	Allowed	(Item Nos.)
Positive	33	3	38,81.70
??	35	0	
Negative	31	3	38,82.69
Total	99	6	

PSC ORDERS ADDRESSING ACQUISITION ADJUSTMENT, 1988-1997

LIST OF ORDERS

Case No.	Adjust. P=Pos. N=Neg. ??	Reporter Cite	Docket No.	Order No.	Date	Short Title
55	N	92 FPSC 1: 124	910672-WB	25584	1/18/92	PMC Hideaway re Hideaway Services
56	P	92 FPSC 2: 572	910320-WB	25821	2/27/92	Utilities, Inc. of Fla - PPW
57	??	92 FPSC 4: 295	910487-SJ	PSC-92-0193	4/13/92	Forest Park PCA re Vista VII
58	??	92 FPSC 4: 298	910885-WJ	PSC-92-0304	4/14/92	C&S Water re chg in org. control fr. Stewart/Chemau to Stewart
59	N	92 FPSC 5: 340	911085-WB	PSC-92-0370	5/14/92	Jax Suburban re San Pablo
60	N	92 FPSC 5: 484	910847-SJ	PSC-92-0407	5/29/92	Forty-One re Springs Plaza
61	P	92 FPSC 8: 882	920177-WB	PSC-92-0895	8/27/92	Jax Suburban re Atlantic of Jax
62	N	93 FPSC 1: 70	920397-WB	PSC-93-0011	1/05/93	CGD Corp.
63	N	93 FPSC 2: 290	920588-WB	PSC-93-0194	2/08/93	Pennbrooke re Countryside
64	P	93 FPSC 3: 217	920718-SJ	PSC-93-0384	3/08/93	Terra Verde (Utilities, Inc.) re Seagull Utilities
65	N	93 FPSC 3: 504	920199-WB	PSC-93-0423	3/22/93	SSL/Deltona
66	N	93 FPSC 3: 633	920834-WB	PSC-93-0430	3/22/93	Utilities, Inc. of Fla - PPW
67	P	93 FPSC 4: 78	920717-SJ	PSC-93-0508	4/05/93	Harder Hall-Howard
68	??	93 FPSC 0: 278	921280-WB	PSC-93-0800	6/14/93	Tradewinds Utilities & RTC
69	N	93 FPSC 11: 205	920148-WB	PSC-93-1875	11/18/93	Jasmine Lakes
70	P	93 FPSC 12: 380	930204-WB	PSC-93-1819	12/22/93	Jax Suburban in St. Johns Co.
71	P	94 FPSC 1: 262	930692-WJ	PSC-94-0083	1/24/94	Rolling Hills re Rolling Acres
72	??	94 FPSC 6: 110	931080-WB	PSC-94-0701	6/09/94	RTC (Tradewinds) re C.F.A.T. H2O
73	P	94 FPSC 8: 284	930950-WJ	PSC-94-0885	8/15/94	Ocala Oaks re Bellview Hills Et.
74	N	94 FPSC 9: 336	930763-SJ	PSC-94-1163	9/22/94	RHV re Homosassa Utilities
75	??	94 FPSC 12: 302	940463-WJ	PSC-94-1543	12/13/94	Harbor Hills re Lake Griffin
76	N	94 FPSC 12: 528	930870-WB	PSC-94-1602	12/27/94	L. Pineda Utilities, Inc. Lake Pineda Utilities
77	N	95 FPSC 2: 136	931122-WJ	PSC-95-0189	2/08/95	SSU re Lakeside Golf
78	N	95 FPSC 2: 423	940091-WB	PSC-95-0288	2/28/95	SSU re Lake Utilities, LTD
79	P	95 FPSC 3: 315	940728-WJ	PSC-95-0342	3/13/95	Seven Rivers Utilities
80	??	95 FPSC 5: 375	940850-WB	PSC-95-0522	5/22/95	Colonias Water re same name
81	??	95 FPSC 5: 389	940849-WJ	PSC-95-0523	5/22/95	Buccanear Water re same name
82	P	95 FPSC 10: 518	941151-WB	PSC-95-1325	10/31/95	SSU re Orange/Osceola
83	N	95 FPSC 11: 604	950015-WJ	PSC-95-1441	11/28/95	Tamiami Village Water re Tamiami Village Utility
84	??	95 FPSC 11: 616	950193-WB	PSC-95-1444	11/28/95	MHC Systems re FFEC-Six
85	N	96 FPSC 3: 448	950880-WJ	PSC-96-0432	3/28/96	J. Swiderald re Forty-Eight Est.
86	P	96 FPSC 3: 547	950889-SJ	PSC-96-0448	3/29/96	Utilities, Inc. re Longwood
87	N	96 FPSC 8: 29	950895-WB	PSC-96-0581	5/03/96	Terra Mar Village Utilities re Terra Mar Village
88	N	96 FPSC 10: 87	950283-WB	PSC-96-1241	10/7/96	Wedgfield re Eeon
89	N	96 FPSC 10: 386	950495-WB	PSC-96-1320	10/30/96	SSU
90	P	96 FPSC 11: 432	960716-WJ	PSC-96-1406	11/20/96	Crystal River Utilities re Ravenwood
91	N	96 FPSC 12: 136	960523-WB	PSC-96-1474	12/04/96	J&J Water & Sewer
92	P	97 FPSC 1: 112	960040-WB	PSC-97-0034	1/07/97	Sun Communities Finance re Water Oaks
93	??	97 FPSC 2: 368	960842-WJ	PSC-97-0187	2/18/97	Crystal River Utilities re Seven Rivers Utilities
94	??	97 FPSC 3: 361	960843-WB	PSC-97-0312	3/24/97	Crystal River Utilities re Sumter Ware Co.
95	??	97 FPSC 4: 73	960793-WJ	PSC-97-0378	4/07/97	Crystal River Utilities re Hines Creek MHI Waterworks
96	P	97 FPSC 5: 405	960695-WB	PSC-97-0575	5/20/97	Clay Utility re S. Broward
97	??	97 FPSC 5: 418	960844-WJ	PSC-97-0580	5/20/97	Crystal River Utilities re Lands, Inc. of Rhineland
98	??	97 FPSC 9: 385	961535-WJ	PSC-97-1148	8/30/97	Crystal River Utilities re Lake Osborne
99	P	--- online ---	970822-WJ	PSC-97-1813	12/23/97	Lindrick Service re S.H. Utilities

NOTES: Adjustment ?? - Order did not specify type of adjustment. From text it would appear to be positive. Negative acquisition adjustments are shaded.

Summary of Adjustments addressed:

	Addressed	Allowed (Item Nos.)
Positive	33	3
??	35	0
Negative	31	3
Total	99	6

DOCKET NOS. 960235-WS and 960283-WS
PSC ORDERS ADDRESSING ACQUISITION ADJUSTMENT, 1988-1997
EXHIBIT (FS-1) _____ of FRANK SEIDMAN

PART II
SUMMARY OF DECISIONS ON ACQUISITION ADJUSTMENT

PSC ORDERS ADDRESSING ACQUISITION ADJUSTMENT, 1988-1989

SUMMARY OF DECISIONS ON ACQUISITION ADJUSTMENT, 1988

Case No.	Order No.	Date	Short Title	Type Case	Type Adj. P=Pos. N=Neg. ??=Can't tell	Adjustment Allowed?	Primary Basis	Additional Information RB=rate base; PP=purchase price; AQ=Acquisition Adjust.]	Disputed?	Reason
1	18600	2/22/88	SSU re Crystal River Highlands	Transfer	??	No	PSC Policy	RB=0; PP=??	No	
2	18607	2/22/88	Indiana Springs Utilities re Days Inn Crystal River	Transfer	??	No	PSC Policy	RB=10,000; PP=??	No	
3	18183	4/18/88	Tropical Park Water	Transfer	P	No	PSC Policy	RB=14,841; PP=??	No	
4	18182	4/20/88	SSU re Bay Assoc.	Transfer	N	No	PSC Policy	RB=34,307; PP=21,807 or 3.3x if inv. granted.	No	
5	18275	5/03/88	SSU re Locke Well & Pump	Transfer	N	No	PSC Policy	RB=19,880; PP=??	No	
6	18505	5/18/88	SSU re Central Fla. Util.	Transfer	N	No	PSC Policy	RB=2,208; PP=??	No	
7	18841	8/22/88	SSU re Sugar Mill Creek	Transfer	P	No	PSC Policy	RB=800,000; PP=1,178,000	No	
8	18855	8/22/88	Security S&L re Harder Hall	Transfer	??	No	PSC Policy	RB=0; PP=??; foreclosure	No	
8	18867	8/22/88	Royal Utility re University Utility	Transfer	P	No	PSC Policy	RB=1,027,387; PP=2,000,000	No	
10	20063	8/25/88	Atlantic Util. of Jax	Rate Case	N	No	No evidence to support OPC claim.	AQ=558,780 which, per OPC, is debt forgiveness. Not an stock purchase; accounting treatment correct.	No	
11	20088	8/25/88	SSU re Rolling Greens	Transfer	P	No	PSC Policy	RB=0; PP=10,000	No	
12	20140	10/10/88	SSU re EB-Nor & C.L. Smith	Transfer	??	No	PSC Policy	RB=85,000; PP=??	No	
13	20488	12/20/88	SSU re Wabata Utilities	Transfer	??	No	PSC Policy	RB=24,080; PP=??	No	
14	20518	12/23/88	Homocesss Utilities re Marathon U.S. Routes	Transfer	??	No	PSC Policy	RB=116,396; PP=??	No	

PSC ORDERS ADDRESSING ACQUISITION ADJUSTMENT, 1988-1989

SUMMARY OF DECISIONS ON ACQUISITION ADJUSTMENT, 1988

Case No.	Order No.	Date	Short Title	Type Case	Type Adj. P=Pos. N=Neg. ??=Can't tell	Adjustment Allowed?	Primary Issue	Additional Information PB=rate base; PP=purchase price; AQ=Acquisition Adjust.	Dispute?	Reason
15	20547	1/8/88	SSU re Silver Lake Est.	Transfer	??	No	PSC Policy For pos. adj., demonstrate: a. extraordinary circumstances; b. best interest of customers; A neg. adj. could be included if: a. PP less than PB; b. physical condition requires rebuilding.	PB=3,034; PP=??	No	
16	20707	2/2/88	Sunshine Utilities re Utility Systems, Inc.	Transfer	N	No	PSC Policy In other case we considered: a. if PP less than PB; b. system required replacing; c. if purchase prudent (juris. status; growth potential; per cust. sp. costs.	PB=4,500; PP=4,000	No	
17	20880	3/22/88	SSU re 2 of W. Volusia Utilities' systems	Transfer	P	No	PSC Policy SSU's reasons insufficient.	PB=54,872; PP=151,000	No	
18	21000	6/29/88	SSU re Lake Alby	Transfer	N	No	PSC Policy	PB=4,700; PP=??	No	
19	21025	6/30/88	SSU	Rate Case - Merion Co.	N	No	PSC Policy PSC considered testimony of Cotton for OPC & Gustafson for SSU. No new evidence to affect decision in transfer docket.	PB=32,178; PP=??	No	
20	2142	8/20/88	Tamiami Village Utility re Tamiami Utility	Transfer	P	No	PSC Policy	PB=32,288; PP=??	No	
21	21557	7/17/88	King's Cove re Cove Utilities	Transfer	P	No	PSC Policy	PB=80,343; PP=100,000 Foreclosure; PP=utility related outstanding mortgage.	No	
22	21631	8/22/88	SSU re Twin County Utility	Transfer	P	No	PSC Policy	PB=see Order 21630; PP=4,890,381	No	
23	21632	7/31/88	SSU re Burnt Store	Transfer	P	No	PSC Policy	PB=3,545,630; PP=3,000,000	No	
24	21638	7/31/88	SSU re Imperial Mobile Terr.	Transfer	P	No	PSC Policy	PB=20,480; PP=??	No	
25	21758	5/21/88	SSU re Fisherman's Haven	Transfer	P	No	PSC Policy	PB=80,200; PP=??	No	
26	21782	8/2/88	A.P. Utilities re N. Carl. P.C.	Transfer	P	No	PSC Policy A transfer due to franchised utilities not sufficient reason to include acquisition adj.	PB=185,714; PP=483,877 PP deducted from info in order]	No	
27	21829	9/20/88	SSU re Inverness Utilities	Transfer	??	No	PSC Policy	PB=80,800; PP=??	No	
28	21838	9/20/88	SSU re Twin County Utility	Establish PB	P	No	PSC Policy ---	PB=1,304,000; corrected to 1,268,178 in Order 21838-A PP=see Order 21831; 9/19/88	No	
29	21913	8/10/88	SSU re PW (Seminole Co.)	Transfer	??	No	PSC Policy	PB=138,000; PP=??	No	
30	22150	11/25/88	SSU re Point O' Wood	Transfer	N	No	PSC Policy	PB=317,200; PP=??	No	
31	22803	11/24/88	Laniger Ent. re Bloom 21	Transfer	N	No	PSC Policy	PB=295,000; PP=180,700 see also Order 22802 re settlement.	No	
32	22545	12/27/88	N. Pinellas Utilities re Shore Utility	Transfer	??	No	PSC Policy	PB=128,141; PP=??	No	

PSC ORDERS ADDRESSING ACQUISITION ADJUSTMENT, 1985-1987
 SUMMARY OF DECISIONS ON ACQUISITION ADJUSTMENT, 1980

Case No.	Order No.	Date	Short Title	Type Case	Type Adj P=Pos. N=Neg. ??=Can't tell	Acquisition Allowed?	Primary Basis	Additional Information [RB=rate base; PP=purchase price; AQ=Acquisition Adjust.] RB=154,027; PP=282,000 PP=utility portion of out- standing mortgage in for closure.	Dispute?	Reason
33	22871	1/28/80	BFF Corp. re LTB Utility	Transfer		No	PSC Policy PSC found: a. foreclosure alone does not constitute extraordinary circumstance; b. PSC doesn't accept that without this purchase, out- standing would not have spent- ing plant, c. no documented financial benefits.		No	
34	22815	8/28/80	SSU re Lakewood Villas	Transfer	??	No	PSC Policy	RB=1,242; PP=??	No	
35	22816	8/28/80	SSU re Lakewood Villas	Transfer	??	No	PSC Policy	RB=112,453; PP=??	No	
36	22882	8/21/80	Laniger Ent. re Mission 21	Settlement	N	Y	Accepts Settlement OPC protested Order 22802; alleges extraordinary circumstances; Utility & OPC agree to settlement that RB=PP. PSC, noting the goes against established practice, accepts but does not rule on allegations.	RB=PP=153,708 AQ=(8,317)	No	
37	23024	5/24/80	SSU re Gosport Island Estates	Transfer	??	No	PSC Policy	RB=0; PP=??	No	
38	23111	5/20/80	Jax Suburban re St. Johns AL	Establish RB	P	Yes	Extraordinary circumstances exist. Jax can improve systems and bring into compliance at significantly lower cost of capital & with minimum impact on rates.	RB=728,148; PP=844,482 Transfer approved in Order 23042.	No	
39	23078	8/21/80	J. Saldarini re King Cove	Transfer	??	No	PSC Policy	RB=80,874; PP=??	No	
40	23087	8/23/80	SSU re Silver Lake	Transfer	??	No	PSC Policy	RB=37,847; PP=??	No	
41	23542	10/01/80	San Pedro re El Agua	Establish RB	P	No	PSC Policy	RB=1,187,883; PP=1,533,183	No	
42	23643	10/22/80	Whiting Waterworks re Mid-County Services	Transfer		No	PSC Policy	RB=84,488; PP=??	No	
43	23858	10/23/80	SSU re Grand Terrace	Transfer		N	PSC Policy OPC argued for adj @ agenda: a. RB should equal original cost when assets dedicated to public service. PSC agrees, but not with OPC interpretation of when it was; b. No increase necessary, because there were no problems. PSC says not necessary for seller to prove hardship; c. Seller will show sale below cost as loss on tax return. PSC says tax treatment of seller not relevant.	RB=81,387; PP=23,308	No	
44	23928	11/07/80	Jasmine Lakes Utilities re Jasmine Lakes Service	Transfer	??	No	PSC Policy	RB=281,092; PP=??	No	
45	23880	12/14/80	Windsor Falls re Utility Systems	Transfer	??	No	PSC Policy	RB=4,587; PP=??	No	
46	23844	12/23/80	Merion Hill re Windgate	Transfer	??	No	PSC Policy	RB=2,311; PP=??	No	

PSC ORDERS ADDRESSING ACQUISITION ADJUSTMENT, 1988-1997

SUMMARY OF DECISIONS ON ACQUISITION ADJUSTMENT, 1991

Case No.	Order No.	Date	Short Title	Type Case	Type Adj P=Pos. N=Neg. ??=Can't tell	Adjustment Allowed?	Primary Basis	Additional Information [RB=rate base; PP=purchase price; AQ=Acquisition Adjust.]	Disputed?	Reason
47	23876	1/28/91	Springdale of Manatee re Sprinkles, Inc.	Transfer	N	No	PSC Policy Although a large neg. eqg adj. results, the circumstances do not appear to be extraordinary.	RB=288,808; PP=28,368 PP=utility related portion of mobile home sub. purchase.	No	
48	23874	1/28/91	Crystal Lake Club re Carbury Group	Transfer	??	No	PSC Policy Utility purchase part of \$9.1 million mobile home community purchase. No breakdown of purchase; therefore can't determine if eqg. adj. exists.	RB=547,882; PP=??	No	
49	24050	2/11/91	Ocean City Utilities re Beverly Beach Surfside	Transfer	??	No	PSC Policy	RB=108,808; PP=??	No	
50	24273	3/21/91	Pine Harbour Water Utilities Pine Harbour	Transfer	N	No	PSC Policy	RB=30,808; PP=??	Dispute	No evidence; utility should bear burden; may not be incorporated in all cases.
51	25063	8/13/91	A.P. Utilities re Marico Prop.	Transfer	P	No	PSC Policy	RB=27,808; PP=580,080 PP is for Marico & Agua Pure; also see next Order 25076.	No	
52	25075	8/17/91	A.P. Utilities re Agua Pure	Transfer	P	No	PSC Policy	RB=148,288; PP=580,080 PP is for Marico & Agua Pure; also see prev. Order 25063.	No	
53	25138	8/22/91	The Woods, div. of Huron County Utilities	SANC	N	No	Rate base set at original cost by increasing common equity to reconcile cap. structure & reflect unrecognized negative eqg. adj. resulting fr. purchase at discount.	RB=Original Cost	Dispute	a. RB based on engineering estimate in lieu of PP; b. time length determination superior to engineering estimate; c. being - eng. est. after purchase; no indication incentive was needed.
54	25217	10/14/91	Falmont Util re Palmer Util.	Transfer	??	No	PSC Policy	RB=66,308; PP=??	No	

PSC ORDERS ADDRESSING ACQUISITION ADJUSTMENT, 1988-1997
 SUMMARY OF DECISIONS ON ACQUISITION ADJUSTMENT, 1992

Case No.	Order No.	Date	Short Title	Type Case	Type Adj. P=Pos. N=Neg. ??=Can't tell	Adjustment Allowed?	Primary Issue	Additional Information (RB=rate base; PP=purchase price; AQ=Acquisition Adjust.) RB=100,487; PP=80,754 Foreclosure; PP=utility allocation of outstanding mortgage; utility schedules not separated; appears PP is deflated.	Disseas? Reason	Reason
55	25684	1/18/92	FIAC Hickeyway re Hickeyway Services	Transfer	N	No	PSC Policy			Believes extraordinary circumstances exist: a. Prev. owner failed to maintain system; now owner will have to spend considerable amounts; customer may pay twice; b. No indication increase was needed or buyer aware of policy; c. Setting initial rate base; PP better than cost study; d. May be irregularities in original mortgage transaction.
56	25821	2/27/92	Utilities, Inc. of Fla - PPW	Rate Case	P	No	PSC Policy Utility must demonstrate extraordinary circumstances. Utility said customer benefits are: improved quality; reasonable cost financing; county connection provides potential future development; access to professionals. Based on record, extraordinary circumstances not clearly demonstrated.	RB=0; Pos. AQ of \$75,000 requested.	No	
57	PSC-92-0194	4/13/92	Forest Park POA re Vista Vill.	Transfer	??	No	PSC Policy		No	
58	PSC-92-0204	4/14/92	C&S Water re change in org. control from Stewart/Chemau to Stewart	Transfer	??	No	PSC Policy	RB=25,165; PP=??	No	
59	PSC-92-0370	6/14/92	Jax Suburban re San Pablo	Transfer	N	No	PSC Policy Jax patterned for no neg. acq. adj. edj.; PSC noted Jax did make improvements in system & mgmt.	RB=1,073,185; PP=1,026,000	No	
60	PSC-92-0404	6/29/92	Forty-One re Springs Plaza	Transfer	N	No	PSC Policy NOTE: Order file says neg. acq. approved; see Order PSC-92-0407 - A for correction.	RB=217,372; PP=300,000	No	
61	PSC-92-0558	8/27/92	Jax Suburban re Atlantic of Jax	Transfer	P	Yes	PSC Policy Extraordinary circumstances shown: lower rates, smaller increases, improved quality of service, lower operating costs, lower cost of capital, more experienced management.	RB=1,071,486; PP=1,377,911	No	

PSC ORDERS ADDRESSING ACQUISITION ADJUSTMENT, 1988-1997

SUMMARY OF DECISIONS ON ACQUISITION ADJUSTMENT, 1993 page 1 of 2

Case No.	Order No.	Date	Short Title	Type Case	Type Adj P=Pos. N=Neg. ??=Can't tell	Adjustment Allowed?	Primary Basis	Additional information [RB=rate base; PP=purchase price; AQ=Acquisition Adjust.]	Dissent?	Reason
82	PSC-93-001	1/29/93	CGO Corp.	SAPC	N	Yes	PSC Policy This is extraordinary circumstances. a. Developer sold development & utility to 3rd party, recovering investment in utility; b. developer family trust owned a hospital; c. 3rd party sold development & utility to trust in non-taxable exchange for hospital with same basis. To not recognize negative acq. adj. would result in double recovery by developer; d. use tax basis for RB.	RB=400,488; PP=176,381 PP=utility allocation in a non-taxable exchange.	No	
83	PSC-93-019	2/2/93	Pennbrooke re Countryside	Transfer	N	No	PSC Policy	RB=544,426; PP=?? Sale is result of bankruptcy and foreclosure.	Dissent	None given
84	PSC-93-035	3/2/93	Tierra Verde (Utilities, Inc.) re Seagull Utilities	Transfer	P	No	PSC Policy	RB=478,448; PP=812,767	No	
85	PSC-93-042	3/22/93	SSL/Orleans	Rate Case	N	No	PSC Policy OPC argued for negative acq. adj. in brief. No evidence sponsored or solicited in record to support any specific adjustments.	---	No	
86	PSC-93-043	3/22/93	Utilities, Inc. of Fla - PPW	Establish RB	N	No	PSC Policy	RB=291,486; PP=228,000, or RB=243,716; PP=228,000, if WWTP abandonment reflected at date of transfer.	Dissent	Without opinion.
87	PSC-93-050	4/29/93	Harder Hall-Howard	SAPC	P	No	PSC Policy Policy statement re positive acq. adj; customer should derive benefits, such as: a. increased quality of service; b. lower operating costs; c. attract capital and at lower costs; d. more professional staffing; e. operational resources Utility does have lower cost of capital, but not other benefits.	RB=66,413; PP=103,808	No	

PSC ORDERS ADDRESSING ACQUISITION ADJUSTMENT, 1988-1997

SUMMARY OF DECISIONS ON ACQUISITION ADJUSTMENT, 1993 page 2 of 2

Case No.	Order No.	Date	Short Title	Type Case	Type Adj P=Pos N=Neg ??=Can't tell	Adjustment Allowed?	Primary Basis	Additional Information (FB=rate base; PP=purchase price; AQ=Acquisition Adjust.)	Dissent?	Reason
68	PSC-93-0800	5/14/93	Tradewinds Utilities & R/C	Establish RB	??	No	PSC Policy	R/C RB=0; Tradewinds=108,830; Transferred to receiver with no PP AQ=(17,763)	No	
69	PSC-93-1570	11/9/93	Jasmine Lakes	Rate Case	N	Yes	Reversal of Order 25728. Even though adj. not included in transfer ticket, we agree with OPC and find it patently unfair and unjust for investors to receive a return on portion of purchase price less than rate base. Reasons: a. in bad shape prior to purchase; b. prior owner did not maintain; c. prior management neglectful; d. insulate customers from failures of prior management; e. utility was already purchasing 80% of water from county, yet earned on WTP for two years.		Johnson	a. Commission had previously decided in transfer case; b. OPC witness testified that purchase was not extraordinary, only not properly maintained; c. In absence of evidence of extraordinary circumstances, previous order should not be disturbed.
70	PSC-93-1810	12/22/93	Jax Suburban in St. Johns Co.	Establish RB	P	Yes	PSC Policy Extraordinary circumstances exist: a. attract capital at lower costs; b. lower operating costs; c. bulk purchasing; d. professional management; e. smaller future increases; f. not developer related; g. integrate into existing system; h. lower SAC; i. smart of adj. small, spreading over larger base.	FB = 1,667,356; PP = 1,750,000	Johnson	Purchase not extraordinary: a. Utility was not troubled; b. It was managed & operated adequately; c. no inclusion incentive was needed; several interested buyers; d. High growth area.

PSC ORDERS ADDRESSING ACQUISITION ADJUSTMENT, 1988-1997
 SUMMARY OF DECISIONS ON ACQUISITION ADJUSTMENT, 1984

Case No.	Order No.	Date	Short Title	Type Case	Type Adj. P=Pos. N=Neg. ??=Can't tell	Adjustment Allowed?	Primary Basis	Additional Information (PB=rate base; PP=purchase price; AQ=Acquisition Adjust.)	Disputed?	Reason
71	PSC-84-008	1/24/84	Rolling Hills re Rolling Acres	Transfer	P	No	PSC Policy PP reflects article value of debt, outstanding interest & expenses not related to plant improvements or quality of service. Same service as prior to purchase.	PB=22,000; PP=118,480	No	
72	PSC-84-070	5/28/84	RFC (Trade Winds) re C.F.A.T. H2O	Transfer	??	No	PSC Policy	PB=8,454; PP=??	No	
73	PSC-84-028	8/18/84	Ocala Oaks re Beldew Hills EL	Purchase of uncertificated operating system.	P	No	PSC Policy	PB=85,000; PP=54,000	No	
74	PSC-84-116	9/22/84	R/V re Homestead Utilities	Transfer	N	No	PSC Policy	PB=116,482; PP=??	No	
75	PSC-84-164	12/13/84	Hart or Hills re Lake Griffin	Transfer	??	No	PSC Policy	PB=404,888; PP=?? Lobby had been confiscated by U.S. through Decree of Forfeiture.	No	
76	PSC-84-180	12/27/84	L. Placid Utilities, Inc. re Lake Placid Utilities	Establish PB	N	No	PSC Policy	PB=83,424; PP=88,000 Purchased out of bankruptcy.	Disputed	None given

PSC ORDERS ADDRESSING ACQUISITION ADJUSTMENT, 1988-1997
 SUMMARY OF DECISIONS ON ACQUISITION ADJUSTMENT, 1988

Case No.	Order No.	Date	Short Title	Type Case	Type Adj. P=Pos. N=Neg. ??=Can't tell	Adjustment Allowed?	Primary Basis	Additional Information (FB=rate base; PP=purchase price; AQ=Acquisition Adjust.)	Disputed?	Reason
77	PSC-88-018	2/28/88	SSU re Lakeside Golf	Transfer	N	No	PSC Policy Circumstances do not appear extraordinary; no major service problems; also SSU utility rates will be lower than stand alone rates would have been, had the seller been charging rates, which it had not.	FB=304,821; PP=118,888 BU argued that as starting point for negotiations, it calculated FB as if U&U adj. made; therefore a neg. adjustment & U&U adjustments in future would be double counting.	No	
78	PSC-88-028	2/28/89	SSU re Lake Utilities, LTD	Transfer	N	No	PSC Policy	FB=436,708; PP=372,828 negotiations, it calculated FB as if U&U adj. made.	Disputed	None given
79	PSC-88-034	3/13/88	Seven Rivers Utilities	EAPC	P	No	PSC Policy When considering pos. adj., customers should derive benefits such as better service quality, lower operating costs, increased ability to attract capital, lower cost of capital, more professional mgmt. We don't think they have been provided.	FB=20,235 w/U&U; Based on original cost study, excess PP over net book value = 27,837.		
80	PSC-88-052	6/22/89	Colonies Water re same name	Transfer	??	No	PSC Policy No extraordinary circumstances; AQ cannot be reasonably calculated.	FB=328,880; PP=?? Utility purchased with Mobile Home Park; unable to determine separate price for utility.	No	
81	PSC-88-052	6/22/88	Bucanear Water re same name	Transfer	??	No	PSC Policy No extraordinary circumstances; AQ cannot be reasonably calculated.	FB=78,420; PP=?? Utility purchased with Mobile Home Park; unable to determine separate price for utility.	No	
82	PSC-88-132	10/31/88	SSU re Orange/Osceola	Transfer	P	No	PSC Policy	FB=1,258,342; PP=1,004,808	No	
83	PSC-88-144	11/26/88	Tamiami Village Water re Tamiami Village Utility	Transfer	N	No	PSC Policy	FB=87,765; PP=84,000	Disputed Carole	Purpose of policy is incentive. In this case purchaser was unaware of policy and misunderstanding acquisition adjustments.
84	PSC-88-144	11/26/88	MHC Systems re FFEC-Six	Establish FB	??	No	PSC Policy	FB=2,322,453; PP=??	Keeping	None given; issue(s) not identified.

PSC ORDERS ADDRESSING ACQUISITION ADJUSTMENT, 1988-1989

SUMMARY OF DECISIONS ON ACQUISITION ADJUSTMENT, 1988

Case No.	Order No.	Date	Short Title	Type Case	Type Adj. P=Pos. N=Neg. ??=Cont'd	Adjustment Allowed?	Primary Issue	Additional Information (RB=rate base; PP=purchase price; AQ=Acquisition Adjust.)	Dispute?	Reason
85	PSC-88-043	3/29/88	J. Swickard re Forty-Eight Est.	Transfer	N	No	PSC Policy	RB=58,189; PP=00	Dispute?	Reason
86	PSC-88-044	3/29/88	Utilities, Inc. re Langwood	Transfer	P	No	PSC Policy	RB=207,057; PP=800,000	Dispute?	Reason
87	PSC-88-088	6/03/88	Terra Mar Village Utilities re Terra Mar Village	Transfer	N	No	PSC Policy	RB=81,077; PP=0 ?? Acquired through foreclosure. Per PSC, acquiring cost should be cost retired plus cost of fore- closure proceeding. Not known at this time.	No	
88	PSC-88-124	10/7/88	Wedgfield re Econ	Transfer	N	No Protested By OPC	PSC Policy Considering the likely impact of used and useful adjustments, the circum- stances do not appear to be extraordinary.	RB=2,548,391; PP=1,146,000	Dispute?	Basic position: put burden on company to justify why purchaser's investment should not be used. Also a. troubled by magnitude of NAA; b. troubled by calculational NAA; c. disagree with ULU rationale; traditionally ULU & NAA concepts never considered together.
89	PSC-88-132	10/25/88	SSU	Rate Case	N	No	PSC Policy PSC reviewed acquisition adjustment policy in total and in light of this case. It reconfirmed its policy, in general and specifically regarding past decisions for this utility.	---	Dispute?	Reiterated basic position and specifically addressed the uniform rate issue as a crucial distinction. The distinction is that uniform rates pass the results of the policy on to customers of other systems who have no interest or standing.
90	PSC-88-140	11/20/88	Crystal River Utilities re Ravenwood	Transfer	P	No	PSC Policy	RB=7,377; PP=24,000	No	
91	PSC-88-147	12/04/88	J&J Water & Sewer	SARC	N	No	PSC Policy Circumstances are extraordinary. given purchase price and sale of 91 lots to new owner for 17,500; adjustment should not be included because seller had filed for abandonment, sale put off abandonment, and adjustment would result in inadequate operating funds, possibly resulting in abandonment.	RB=32,376; PP=1	Dispute?	None of goals in Order 287B (acq. adj. policy order) met. a. no incentive; sale of utility is byproduct of lot sale; b. purchase is not by a large utility; c. purchaser has no previous utility experience.

PSC ORDERS ADDRESSING ACQUISITION ADJUSTMENT, 1988-1997

SUMMARY OF DECISIONS ON ACQUISITION ADJUSTMENT, 1997

Case No.	Order No.	Date	Short Title	Type Case	Type Adj. P=Pos. N=Neg. ??=Can't tell	Adjustment Allowed?	Primary Basis	Additional Information FB=rate base; PP=purchase price; AQ=Acquisition Adjust. 1	Deserve?	Reason
82	PSC-97-0034	1/27/97	Sun Cor. munities Finance Water Co.ks	Transfer	P	No	PSC Policy	FB=284,000; PP=750,000	No	
83	PSC-97-0182	2/19/97	Crystal River Utilities re Seven Rivers Utilities	Transfer	??	No	PSC Policy	FB=17,301; PP=??	No	
84	PSC-97-0312	3/26/97	Crystal River Utilities re Sumter Water Co.	Transfer	??	No	PSC Policy	FB=21,042; PP=??	No	
85	PSC-97-0374	4/23/97	Crystal River Utilities Helms Creek MH Waterworks	Transfer	??	No	PSC Policy	FB=4,747; PP=??	No	
86	PSC-97-0574	5/22/97	City Utility re S. Broward	Transfer	P	No	PSC Policy	FB=4,427,545; PP=5,800,000	No	
87	PSC-97-0585	5/22/97	Crystal River Utilities re Lands, Inc. of Ft. Valender	Transfer	??	No	PSC Policy	FB=31,882; PP=??	No	
88	PSC-97-1142	5/23/97	Crystal River Utilities re Lake Osborne	Transfer	??	No	PSC Policy	FB=1,842; PP=??	No	
89	PSC-97-1512	12/23/97	Lindrick Service re S.H. Utilities	Transfer	P	No	PSC Policy	FB=20,880; PP=180,000	No	