

NOTICE OF PROPOSED RULE DEVELOPMENT

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 001502-WS

RULE TITLE	RULE NO.
Acquisition Adjustments	25-30.0371

PURPOSE AND EFFECT: To adopt a rule that will provide an incentive for acquisition of small utilities.

SUBJECT AREA TO BE ADDRESSED: Adjustments to rate base of water and wastewater utilities on transfer of ownership.

SPECIFIC AUTHORITY: 350.167(2), 367.121(1)(f), FS.

LAW IMPLEMENTED: 350.167(2), 367.121(1)(f), FS.

A rule development workshop will be held at the following time and place.

DATE AND TIME: January 31, 2002 - 9:30 a.m.

PLACE: Room 309, Gunter Building, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0862.

A copy of the agenda may be obtained after January 22, 2002, from Christiana T. Moore, Division of Appeals, Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, (850) 413-6098.

Any person requiring some accommodation at this workshop because

of a physical impairment should call the Division of the Commission Clerk and Administrative Services at (850) 413-6770 at least 48 hours prior to the workshop. Any person who is hearing

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or speech impaired should contact the Florida Public Service Commission by using the Florida Relay Service, which can be reached at: 1-800-955-8771.

THE PRELIMINARY TEXT OF THE RULE IS:

25-30.0371 Acquisition Adjustment.

(1) Definition. For the purpose of this rule, an acquisition adjustment is defined as the difference between the purchase price of utility system assets to an acquiring utility and the net book value of the utility assets. A positive acquisition adjustment exists when the purchase price is greater than the net book value. A negative acquisition adjustment exists when the net book value is greater than the purchase price.

(2) Positive Acquisition Adjustments. A positive acquisition adjustment shall not be included in rate base absent proof of extraordinary circumstances. Any entity that believes a full or partial positive acquisition adjustment should be made has the burden to prove the existence of those extraordinary circumstances. In determining whether extraordinary circumstances have been demonstrated, the Commission shall consider evidence provided to the Commission such as anticipated improvements in quality of service, anticipated compliance with regulatory mandates, anticipated rate reductions or rate stability over a long-term period, and anticipated cost efficiencies.

(3) Negative Acquisition Adjustments. A negative acquisition

adjustment shall not be included in rate base absent proof of extraordinary circumstances unless the difference between the net book value and the purchase price exceeds 20 percent of net book value. If the difference does exceed 20 percent of net book value then the inclusion of a negative acquisition adjustment shall be calculated pursuant to section (b) below.

(a) Any entity that believes a full or partial negative acquisition adjustment should be made has the burden to prove the existence of those extraordinary circumstances. In determining whether extraordinary circumstances have been demonstrated, the Commission will consider evidence provided to the Commission such as the anticipated retirement of the acquired assets and the condition of the assets acquired.

(b) If the difference between purchase price and net book value exceeds 20 percent of net book value, then the amount of the difference in excess of 20 percent of net book value shall be recognized for ratemaking purposes as a negative acquisition adjustment, but not used for any earnings review unless the purchaser files for a rate increase pursuant to section 367.081(2), 367.0814, 367.0817 or 367.0822, F.S. The negative acquisition adjustment shall be amortized over a 5-year period from the date of the order approving the transfer of assets unless a shorter or longer period can be justified.

(4) Amortization Period. The Commission shall establish the

amortization period for any included acquisition adjustment, excluding any acquisition adjustment booked under subsection (3) (b) above, on a case-by-case basis. The Commission in setting the amortization period will take into account the composite remaining life of the assets purchased or the condition of the assets purchased. Amortization of the acquisition adjustment shall begin on the date of the order approving the transfer of assets.

(5) Subsequent Modification. Any full or partial acquisition adjustment, once made by the Commission, may be subsequently modified if the extraordinary circumstances do not materialize or subsequently are eliminated or changed within five years of the date of the order approving the transfer of assets.

Specific Authority: 350.167(2), 367.121(1)(f), FS.

Law Implemented: 367.071(5), 367.081(2)(a), 367.121(1)(a)(b), FS.

History: New.