

ORIGINAL

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March 20, 2002

Chairman Lila Jaber  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Re: Docket No. 001502-WS, Proposed Rule 25-30.0371, Acquisition Adjustments

Dear Commissioner:

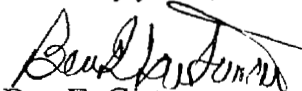
Staff has requested that participants in this docket provide written responses, not more than one page in length, regarding the most recent draft of the rule. We appreciate the opportunity to go through the workshop process, which has been very helpful. Utilities, Inc. has been willing to work toward a mutually agreeable formulation of the rule, even though to do so will substantially change some of the prior expectations regarding acquisitions in Florida. That process has worked well, but there is need for some further consideration and assistance on some of the numbers in the draft. The following changes are recommended.

- Page 1, line 25 - change 80 percent to 60 percent.
- Page 2, line 2 - change 80 percent to 60 percent.
- Page 2, line 9 - after the work "books", insert "for ratemaking purposes".
- Page 2, line 9 - change 70 percent to 50 percent.
- Page 2, line 15 - change 80 percent to 60 percent.
- Page 2, line 17 - change 20 percent to 40 percent.
- Page 2, line 20 - after the work "books", insert "for ratemaking purposes".
- Page 2, line 24 - change 5-year period to 4-year period.

We would appreciate your consideration of the above recommendations. We believe they will allow Commission policy to continue to be the incentive it was intended to be for acquisition of smaller, poorly operated or unwanted utility systems. The language proposed by Staff, even as amended by Utilities, Inc.'s recommendations above, is a compromise that, although deviating from current policy, hopefully it will result in reduced rate case expense and finality of acquisition adjustment decisions.

- AUS \_\_\_\_\_
- CAF \_\_\_\_\_
- CMP \_\_\_\_\_
- COM \_\_\_\_\_
- CTR \_\_\_\_\_
- ECR \_\_\_\_\_
- GCL \_\_\_\_\_
- OPC \_\_\_\_\_ Encl.
- MMS \_\_\_\_\_ Commissioners
- SEC \_\_\_\_\_ Christina Moore, Esq.
- OTH \_\_\_\_\_ Mr. Marshall Willis  
Commission Clerk  
Charles Beck Esq.

Sincerely yours,

  
Ben E. Girtman

DOCUMENT NUMBER-DATE

03327 MAR 22 2002

COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed rule 25-30.0371, )  
Acquisition Adjustments )  
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DOCKET NO. 001502-WS

Filed: March 20, 2002

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing comments on the draft rule. has  
been sent to the following by facsimile or hand deliver this 20<sup>th</sup> day of March, 2002.

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25-30,0371 Acquisition Adjustments.

(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 purchase price is less than the net book value.

(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 improvements in 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 or where the purchase price is less than 80 percent of net book value. If the purchase price

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2 is less than 80 percent of net book value then the inclusion of  
3 a negative acquisition adjustment shall be calculated pursuant to  
4 section (b) below.

5 (a) Contested. Any entity that believes a full or partial  
6 negative acquisition adjustment should be made has the burden to  
7 prove the existence of those extraordinary circumstances. Under  
8 no circumstance, however, shall the purchaser be required to  
9 record on its books more than 70 percent of a negative  
10 acquisition adjustment. In determining whether extraordinary  
11 circumstances have been demonstrated, the Commission shall  
12 consider evidence provided to the Commission such as the  
13 anticipated retirement of the acquired assets and the condition  
14 of the assets acquired.

15 (b) Uncontested. If the purchase price is less than 80  
16 percent of net book value, then the amount of the difference in  
17 excess of 20 percent of net book value shall be recognized for  
18 ratemaking purposes as a negative acquisition adjustment. The  
19 negative acquisition adjustment shall not be recorded on the  
20 books or used for any earnings review unless the purchaser files  
21 for a rate increase pursuant to section 367.081(2), 367.0814,  
22 367.0817 or 367.0822, F.S. that will be effective during the  
23 amortization period. The negative acquisition adjustment shall  
24 be amortized over a 5-year period from the date of issuance of  
25 the order approving the transfer of assets.

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(4) Amortization Period. In setting the amortization period for a Commission approved acquisition adjustment pursuant to (2) or (3)(a) above, the Commission shall consider evidence provided to the Commission such as the composite remaining life of the assets purchased and the condition of the assets purchased. Amortization of the acquisition adjustment shall begin on the date of issuance of the order approving the transfer of assets.

(5) Subsequent Modification. Any full or partial acquisition adjustment, once made by the Commission pursuant to (2) or (3)(a) above, may be subsequently modified if the extraordinary circumstances do not materialize or subsequently are eliminated or changed within five years of the date of issuance 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