

ORIGINAL

NOTICE OF PROPOSED RULEMAKING

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 001502-WS

RULE TITLE:

RULE NO.:

Acquisition Adjustment

25-30.0371

PURPOSE AND EFFECT: To adopt a rule governing acquisition

adjustments for water and wastewater utilities, to provide an incentive for a utility to try to obtain the lowest price possible when negotiating a purchase price, and providing an incentive for a purchasing utility that pays less than net book value to refrain from filing a rate case for a five-year period subsequent to the purchase.

SUMMARY: Provides a definition of acquisition adjustment and the ratemaking treatment when the purchase price for a utility system differs from the net book value of the utility assets. Provides examples of the evidence the Commission will consider.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COST: The proposed rule should not impose additional costs on water and wastewater utility acquisitions and there should be no cost to ratepayers.

Any person who wishes to provide information regarding the

- AUS \_\_\_\_\_
  - CAF \_\_\_\_\_
  - CMP \_\_\_\_\_
  - COM \_\_\_\_\_
  - CTR \_\_\_\_\_
  - ECR \_\_\_\_\_
  - GCL \_\_\_\_\_
  - OPC \_\_\_\_\_
  - MMS \_\_\_\_\_
  - SEC \_\_\_\_\_
  - OTH \_\_\_\_\_
- statement of estimated regulatory costs, or to provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.
- SPECIFIC AUTHORITY: 350.167(2), 367.121(1)(f), FS

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TALLAHASSEE, FLORIDA

DOCUMENT NUMBER-DATE  
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FPSC-COMMISSION CLERK

LAW IMPLEMENTED: 367.071(5), 367.081(2)(a), 367.121(1)(a)(b), FS  
WRITTEN COMMENTS OR SUGGESTIONS ON THE PROPOSED RULE MAY BE  
SUBMITTED TO THE FPSC, DIVISION OF THE COMMISSION CLERK AND  
ADMINISTRATIVE SERVICES, WITHIN 21 DAYS OF THE DATE OF THIS  
NOTICE FOR INCLUSION IN THE RECORD OF THE PROCEEDING.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING  
WILL BE HELD AT THE TIME, DATE, AND PLACE SHOWN BELOW (IF NOT  
REQUESTED, THIS HEARING WILL NOT BE HELD):

TIME AND DATE: 9:30 A.M., July 30, 2002.

PLACE: Room 152, Betty Easley Conference Center, 4075 Esplanade  
Way, Tallahassee, Florida.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS:

Christiana T. Moore, Florida Public Service Commission, 2540  
Shumard Oak Blvd., Tallahassee, Florida 32399-0862, (850) 413-  
6245.

THE FULL TEXT OF THE PROPOSED RULE IS:

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 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 unless there is proof of extraordinary circumstances or where the purchase price is less than 80 percent of net book value. If the purchase price is less than 80 percent of net book value then the inclusion of a negative acquisition adjustment shall be calculated pursuant to paragraph (b) below.

(a) Contested. Any entity that believes a full or partial negative acquisition adjustment should be made has the burden to prove the existence of extraordinary circumstances. Under no circumstance, however, shall the purchaser be required to record on its books more than 70 percent of a negative acquisition adjustment. In determining whether extraordinary circumstances

have been demonstrated, the Commission shall consider evidence provided to the Commission such as the anticipated retirement of the acquired assets and the condition of the assets acquired.

(b) Uncontested. If the purchase price is less than 80 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. The negative acquisition adjustment shall not be recorded on the books for ratemaking purposes or 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., that will be effective during the amortization period. The negative acquisition adjustment shall be amortized over a 5-year period from the date of issuance of the order approving the transfer of assets.

(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.

NAME OF PERSON ORIGINATING PROPOSED RULE: Marshall Willis

NAME OF SUPERVISOR OR PERSONS WHO APPROVED THE PROPOSED RULE:

Florida Public Service Commission.

DATE PROPOSED RULE APPROVED: May 21, 2002

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAW: Volume 25, Number 45, November 12, 1999

If any person decides to appeal any decision of the Commission with respect to any matter considered at the rulemaking hearing, if held, a record of the hearing is necessary. The appellant must ensure that a verbatim record, including testimony and evidence forming the basis of the appeal is made. The Commission usually makes a verbatim record of rulemaking hearings.

Any person requiring some accommodation at this hearing 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 hearing. Any person who is hearing 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 (TDD).