

ORIGINAL

DOCKET NO. 001502-WS

CERTIFICATION OF  
PUBLIC SERVICE COMMISSION ADMINISTRATIVE RULES  
FILED WITH THE  
DEPARTMENT OF STATE

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JUL 23 1988  
PUBLIC SERVICE COMMISSION

I do hereby certify:

/x/ (1) That all statutory rulemaking requirements of Chapter 120, F.S., have been complied with; and

/x/ (2) There is no administrative determination under subsection 120.56(2), F.S., pending on any rule covered by this certification; and

/x/ (3) All rules covered by this certification are filed within the prescribed time limitations of paragraph 120.54(3)(e), F.S. They are filed not less than 28 days after the notice required by paragraph 120.54(3)(a), F.S., and;

/x/ (a) Are filed not more than 90 days after the notice;

or

/ (b) Are filed not more than 90 days after the notice not including days an administrative determination was pending;

or

/ (c) Are filed more than 90 days after the notice, but not less than 21 days nor more than 45 days from the date of publication of the notice of change; or

/ (d) Are filed more than 90 days after the notice, but

- AUS \_\_\_\_\_
- CAF \_\_\_\_\_
- CMP \_\_\_\_\_
- COM \_\_\_\_\_
- CTR \_\_\_\_\_
- ECR \_\_\_\_\_
- GCL \_\_\_\_\_
- OPC \_\_\_\_\_
- MMS \_\_\_\_\_
- SEC 1 \_\_\_\_\_
- OTH \_\_\_\_\_

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not less than 14 nor more than 45 days after the adjournment of the final public hearing on the rule; or

  / (e) Are filed more than 90 days after the notice, but within 21 days after the date of receipt of all material authorized to be submitted at the hearing; or

  / (f) Are filed more than 90 days after the notice, but within 21 days after the date the transcript was received by this agency; or

  / (g) Are filed not more than 90 days after the notice, not including days the adoption of the rule was postponed following notification from the Joint Administrative Procedures Committee that an objection to the rule was being considered; or

  / (h) Are filed more than 90 days after the notice, but within 21 days after a good faith written proposal for a lower cost regulatory alternative to a proposed rule is submitted which substantially accomplishes the objectives of the law being implemented; or

  / (i) Are filed more than 90 days after the notice, but within 21 days after a regulatory alternative is offered by the small business ombudsman.

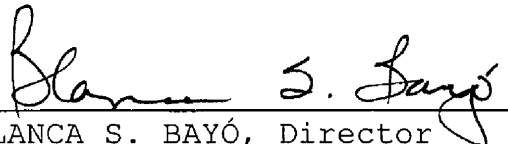
Attached are the original and two copies of each rule covered by this certification. The rules are hereby adopted by the undersigned agency by and upon their filing with the Department of State.

Rule No.

25-30.0371

Under the provision of subparagraph 120.54(3)(e)6., F.S.,  
the rules take effect 20 days from the date filed with the  
Department of State or a later date as set out below:

Effective: \_\_\_\_\_  
(month) (day) (year)

  
\_\_\_\_\_  
BLANCA S. BAYÓ, Director  
Division of the Commission Clerk  
and Administrative Services

\_\_\_\_\_  
Number of Pages Certified

(S E A L)

CTM

1       25-30.0371 Acquisition Adjustments.

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

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

20       (3) Negative Acquisition Adjustments. A negative acquisition  
21 adjustment shall not be included in rate base unless there is proof  
22 of extraordinary circumstances or where the purchase price is less  
23 than 80 percent of net book value. If the purchase price is less  
24 than 80 percent of net book value then the inclusion of a negative  
25 acquisition adjustment shall be calculated pursuant to paragraph

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1 (b) below.

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

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

22 (4) Amortization Period. In setting the amortization period  
23 for a Commission approved acquisition adjustment pursuant to (2) or  
24 (3)(a) above, the Commission shall consider evidence provided to  
25 the Commission such as the composite remaining life of the assets

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1 purchased and the condition of the assets purchased. Amortization  
2 of the acquisition adjustment shall begin on the date of issuance  
3 of the order approving the transfer of assets.

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

10 Specific Authority: 350.127(2), 367.121(1)(f), FS.

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

12 History: New .

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**SUMMARY OF RULE**

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 HEARINGS ON THE RULE**

No hearing was requested and none was held.

**FACTS AND CIRCUMSTANCES JUSTIFYING THE RULE**

The Commission has over the past years developed a policy on acquisition adjustments for water and wastewater utilities that, absent extraordinary circumstances, the purchase of a utility system at a premium or discount shall not affect rate base. Chapter 120, Florida Statutes, the Administrative Procedure Act, provides that "[e]ach agency statement defined as a rule by s. 120.52 shall be adopted by the rulemaking procedure provided by this section as soon as feasible and practicable". § 120.54(1)(a), Fla. Stat. (2000). After Commission and staff workshops, the Commission determined that the policy should be modified to better take into account the concerns of consumers and the need to still provide an incentive for consolidation.

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