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PAUL RENNER
*Speaker of the House of
Representatives*

May 4, 2023

VIA: ELECTRONIC FILING

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Florida Public Service Commission
Room 390R – Gerald L. Gunter Bldg.
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In re: Examine Regulatory Policies and Practices in the Water and Wastewater Industries in Florida.

On December 21, 2022, the Florida Public Service Commission (“Commission”) issued a Notice of Development of Rulemaking and Workshop regarding several areas impacting water and wastewater companies. On February 1, 2023, Commission Staff held its workshop at which the Office of Public Counsel (“OPC”) participated and offered comments. Pursuant to Commission Staff’s invitation to file written comments on the workshop issues, the OPC submitted Post-Workshop Comments on March 1, 2022. At the conclusion of the workshop, Commission Staff and stakeholders agreed that participants would have the opportunity to reply to any proposals and comments in the other stakeholder’s Post-Workshop comments. OPC filed comments on two of the proposals raised in the other stakeholder’s comments related to Acquisition Adjustment and Used and Useful Rules and otherwise maintained all of the other positions contained in the March 1, 2023 comments.

Subsequent to the series of workshops, Commission Staff developed a proposed revision to Rule 25-30.0371, F.A.C., Acquisition Adjustment (“Proposed Rule”). On April 13, 2023, Commission Staff held a workshop on the Proposed Rule to take comments from stakeholders. At the conclusion of the workshop, Commission Staff requested that stakeholders provide any written comments by May 4, 2023. Pursuant to this request, OPC files these written comments which should be taken into consideration along with OPC’s type and strike version (“OPC version”) of the Proposed Rule attached hereto and the office’s oral comments made at the workshop.

OPC written comments will primarily address language suggestions and comments made by the other stakeholders. On behalf of Sunshine Water Services, Marty Friedman submitted a type and strike version (“Friedman version”) of the Proposed Rule. The other stakeholders present at the workshop provided verbal comments.

Section (1) Definitions

Section 1 of the Proposed Rule added definitions to describe the different types of acquisitions. The OPC version added verbiage to the definitions of the positive acquisition adjustments in Section (1)(b) and included additional language to address the evidentiary proof and timeframe required for the utility to meet its burden to demonstrate that it would not be able to maintain safe and adequate service in Section (1)(d)3.

The Friedman version concentrated on adding language to expound on the definitional criteria for non-viable utilities. Under Section (1)(d)1, Friedman’s version included secondary water quality standards to Commission Staff’s proposal which only included primary water quality OPC standards to this section. On behalf of Central State Water Resources, Susan Clark raised concerns about whether acquiring a utility that was “in violation” of water quality requirements, without a citation being issued, would meet the criteria for non-viability.

OPC could support the addition of secondary water quality violations to the definition of a non-viable utility with certain qualification. OPC recognizes that secondary water quality issues can greatly interfere with the customer’s ordinary use and enjoyment of water service such as black water or sulfur taste. Should secondary water quality standards be included in the rule language, they should be the same standards considered by the Commission for return on equity adjustments in the rate-setting process. OPC also submits that if the Commission is going to consider potential

“violations” without pending citations as sufficient to satisfy the “in violation” criteria of the water quality standards, an essential element of such a qualifier should be that there be a demonstration of an on-going, persistent pattern of the utility failing to address these problems.

The Friedman version proposes to add two additional criteria under the definition of non-viable utility. Section (1)(d)2 would allow a purchasing utility to demonstrate the acquired utility’s lack of historical investment, repair or sustainable maintenance, and a Section (1)(d)3 would allow an acquiring utility to demonstrate the inability of the acquired utility to obtain and maintain adequate managerial, operational, financial or technical capabilities to ensure safe and reliable service to its customers in the long-term. OPC believes that these demonstrations are subsumed in Commission Staff’s Proposed Rule Section (1)(d)3 because they are aspects of a demonstration that the utility is “not reasonably expected to furnish and maintain safe and adequate service and facilities” over a period of time. Moreover, these should be considered elements or building blocks of an overall picture of non-viability and should not be considered as stand-alone criteria, which, if demonstrated to individually exist, would meet the definition of a “non-viable utility.”

Susan Clark questioned the need for Commission Staff’s Proposed Rule Sections (1)(d) 1 and 2 if Section (1)(d)3 as worded is a broad catchall. She also stated that the Friedman version might cure the type of information required to prove up non-viability. TR 29. OPC believes that the way the Commission Staff’s Proposed Rule is currently constructed, it allows the utility to prove either Section (1)(d)1,2, 3, or 4 to establish that a utility is non-viable. Section (1)(d)3 is a catchall if there are other circumstances that might not clearly fit under the other provisions. The Friedman version additional Sections (1)(d)2 and 3, while not appropriate as stand-alone criteria as discussed above, could be added as factors for the Commission to consider under Commission Staff’s Proposed Rule Section (1)(d) 3 catchall.

The OPC version also includes a limiting timeframe on Commission Staff’s Proposed Rule Section (1)(d)3. Unlike Sections (1)(d) 1, 2, and 4 of Commission Staff’s Proposed Rule where there is an existing risk of failure to furnish and maintain safe and adequate service and facilities to customers, Section (1)(d) 3 catchall provision allows the Commission to look forward to evaluate potential future risk of the “non-viable” utility failing to furnish and maintain safe and adequate service and facilities to customers when no immediate risks exist. As such, OPC

proposes to add to Section (1)(d)3 “over the next five (5)years” to define the timeframe that the Commission will look at to determine this potential future risk, whereas Commission Staff Proposal and the Friedman version provides over “long-term” or in the “future.” The other stakeholders also expressed some concern that a strict application of a five-year period under a Section (1)(d)3 analysis may be arbitrarily limiting a forward look at potential risk and benefits to customers. OPC believes that while there is nothing mandating a five-year period, there should be some defined period into the future that the Commission should review. Mr. Friedman proposes that if a five year period is used for the forward looking risk analysis that some flexibility should be allowed by adding language such as, “or such longer period of time as the utility can show.” Commission Staff proposed adding to the five years provision “unless a longer or shorter period is required.” OPC agrees that some language that allows for flexibility should be included and suggests adding “five years unless the applicant/petitioner demonstrates that a longer or shorter period is the correct period.” This language would allow the necessary flexibility and maintain the burden of proof to demonstrate the correctness of using a different period on the utility.

The Friedman version proposes to amend Commission Staff’s Proposed Rule Section (1)(d)4 criterion “insolvent, i.e., unable to pay debt” by adding “or generate sufficient cash to fund operations in the long-term.” Once again, OPC believes this additional language is subsumed in Commission Staff’s Proposed Rule Section (1)(d)3 since this could be an aspect of showing that the utility was “not reasonably expected to furnish and maintain safe and adequate service and facilities in the future.” The inability of a utility to currently pay off its debt has the potential to place safe and adequate service at immediate risk. On the other hand, the inability to “generate sufficient cash to fund operations over the long-term” may or may not come to pass. These factors are more appropriately considered when the Commission examines operations in a utility’s future case.

Finally, the Friedman version proposes to add a Section (1)(d)6 criterion of: “has a negative or zero rate base.” As noted above, while a factor to consider, this should not be a stand-alone criteria for determining whether a utility is non-viable. The utility’s lack of adequate investment should not be an invitation to churn the utility assets to enlarge rate base.

Sections (2) Non-Viable Utility and (3) Viable Utility Positive Acquisition Adjustments

In Section (2) regarding Positive Acquisition Adjustments for Non-Viable Utilities, OPC proposes a requirement for a cumulative present value of revenue requirements (CPVRR) analysis. In addition, OPC proposes inclusion of a burden of proof standard of “competent, substantial evidence that constitutes demonstrable, verifiable and quantifiable showing” of the five factors with some additional edits. In Section (3) for positive acquisition adjustments for viable utilities, OPC includes language that reflects the acquisition adjustment rate base inclusion standard used in gas cases requiring the transaction to demonstrate that including the positive acquisition in rate base is projected to provide benefits, synergies, and cost savings equal to or greater than the revenue requirement.

The Friedman version did not have a Section (3) to distinguish between non-viable and viable utility transactions, when considering allowing a positive acquisition adjustment. His version merely proposes language for inclusion of a positive acquisition adjustment in rate base for all positive acquisitions and adds “increased ability to attract capital at a reasonable cost, more professional and experienced managerial, financial, technical, and operational resources, if the selling utility is a Non-Viable Utility” to the five factors. This is sharply at odds with the Commission Staff’s proposal and the OPC version, both of which make the standard for granting a positive acquisition adjustment higher for a viable utility versus a non-viable utility. Additionally, current transfers require a demonstration of managerial, financial, and technical ability to acquire a utility, so it is unclear how this language would provide any additional benefit to customers. OPC version proposal seeks to hold the customers harmless as a condition of granting the positive acquisition adjustment. The language is adopted from natural gas cases requiring the showing of “benefits, synergies, and cost savings equal to or greater than the revenue requirement including the requested Positive Acquisition Adjustment.” Contrary to the utility stakeholders’ claim that OPC version is impossible to meet, positive acquisition adjustment have been granted in natural gas cases based on the demonstration of these factors.

Section (4) Application

Commission Staff proposed allowing up to three years after a transfer for the review of acquisition adjustments. The OPC version keeps the current Commission standard to have acquisition adjustments determined at the time of transfer. The Friedman version proposed

language to increase the timeframe for determining an acquisition adjustment until the acquiring utility's next base rate case. All the utility stakeholders agreed with the Friedman version that would allow consideration until the next rate case. The OPC does not agree with this proposal.

OPC submits that the demonstrable factors should be known at the time of transfer or the acquisition of the utility should not be undertaken. At most, all factors should be known within the first year after a utility is acquired. However, waiting to determine if the factors will satisfy the standards for granting a positive acquisition after the fact could: (1) place the acquiring utility's finances in jeopardy if not granted, (2) or worse, place customers in jeopardy of a non-beneficial positive acquisition being approved because to deny it would place the utility's finances at risk with no opportunity to unwind the transaction. When the review of an acquisition is done at the time of transfer, these potential negative outcomes are avoided. More importantly, consistent with the burden of proof, the factors that are known at the time of the acquisition are the ones that meet the requirement to demonstrate compliance with the rule. *Post hoc* rationalization should play no role in the acquirer meeting its burden of proof.

Section (5) Negative Acquisition Adjustment

Commission Staff proposal takes out the negative acquisition adjustment language in the current rule and merely states that a negative acquisition would not be included in rate base. The OPC version adds back the current rule language. All the utility stakeholders would support eliminating the current language. However, as Mr. Rendell stated at the workshop, it would "get away from the original cost theory." TR 80. The Commission, prior to the adoption of the negative acquisition adjustment rule, had a history of making negative acquisition adjustments which were subject to much litigation. The current rule was extensively negotiated during the rule development and adoption process and has worked well for over 10 years. There have been minimal examples of the current rule language causing significant issues or concerns. The current rule language balances the interest of the acquiring utility and its customers, particularly where the utility has been neglected, thus selling below book value causing customers to pay for improvements.

Section (6) Amortization Period

Commission Staff's Proposal eliminated the language related to negative acquisition adjustments. The OPC version reinserts the amortization language related to negative acquisitions. The Friedman version had no changes to Commission Staff's Proposal.

Section (7) Subsequent Modification

The OPC version made several modifications to be consistent with prior OPC changes and to add language that states the acquisition adjustment may be subsequently "reduced or eliminated" if the "CPVRR benefits" for non-viable utilities or "benefits, synergies, and cost savings" for viable utilities do not materialize within 5 years of the order issuance. The Friedman version proposes the word "anticipated" before customer benefits and changes "or subsequently are eliminated or changed" to "or subsequently are substantially changed due to factors within the acquiring utility's control." The utility stakeholders all endorse easing the utilities' adherence to promised benefits if it is beyond their control or will take longer to materialize. Since all proposed language provides that the Commission "may" reduce or eliminate any acquisition adjustment based on the failure to meet the factors, there is flexibility for the Commission to consider explicitly stated factors that are "beyond the control of the utility."

These written comments should be considered along with the OPC version of the Proposed Rule attached hereto. In addition, OPC ask that oral comments made at the workshop also be considered in conjunction with these submitted written comments.

Respectfully submitted,

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CERTIFICATE OF SERVICE
DOCKET NO. UNDOCKETED

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by electronic mail on this 4th day of May 2023, to the following:

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OPC VERSION

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

NOTICE OF DEVELOPMENT OF RULEMAKING

TO

ALL WATER AND WASTEWATER UTILITIES

AND

ALL OTHER INTERESTED PERSONS

UNDOCKETED

IN RE: PROPOSED AMENDMENT OF RULE 25-30.0371, F.A.C.,
ACQUISITION ADJUSTMENTS

ISSUED: March 30, 2023

NOTICE is hereby given pursuant to Section 120.54, Florida Statutes, that the Florida Public Service Commission staff has initiated rulemaking to amend Rule 25-30.0371, Florida Administrative Code, to update and clarify the rule. A staff rule development workshop will be held at the following time and place:

April 13, 2023, at 9:30 a.m.
Betty Easley Conference Center, Room 148
4075 Esplanade Way
Tallahassee, FL 32399-0850

The draft rule and the agenda for the workshop are attached. One or more Commissioners may be in attendance and participate in the workshop. The person to be contacted regarding this rule development is Douglas Sunshine, Office of the General Counsel, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, (850) 413-6224, douglas.sunshine@psc.state.fl.us.

In accordance with the Americans with Disabilities Act, persons needing a special accommodation to participate at this workshop should contact the Office of Commission Clerk no later than five days prior to the workshop at 2540 Shumard Oak Boulevard., Tallahassee, Florida 32399-0850 or 850-413-6770 (Florida Relay Service, 1-800-955-8770 Voice or 1-800-955-8771 TDD). Assisted Listening Devices are available upon request from the Office of Commission Clerk, Gerald L. Gunter Building, Room 152.

NOTICE OF DEVELOPMENT OF RULEMAKING
UNDOCKETED
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If a named storm or other disaster requires cancellation of the workshop, Commission staff will attempt to give timely notice to the public. Notice of cancellation will also be provided on the Commission's website (www.floridapsc.com) under the Hot Topics link found on the home page. Cancellation can also be confirmed by calling the Office of the General Counsel at (850) 413-6199.

By DIRECTION of the Florida Public Service Commission this 30th day of March, 2023.

/s/ Adam J. Teitzman
ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

DDS

1 **25-30.0371 Acquisition Adjustments.**

2 (1) ~~Definitions. For the purpose of this rule, an acquisition adjustment is defined as the~~

3 (a) “Acquisition Adjustment” means the difference between the purchase price of utility
4 system assets to an acquiring utility and the net book value of the utility assets. A positive
5 acquisition adjustment exists when the purchase price is greater than the net book value. A
6 negative acquisition adjustment exists when the purchase price is less than the net book value.

7 (b) “Positive Acquisition Adjustment” means the full or partial amount of the purchase
8 price that is greater than the net book value.

9 (c) “Negative Acquisition Adjustment” means the purchase price is less than the net book
10 value.

11 (d) “Non-Viable Utility” means a utility that is:

12 1. in violation of statutory or regulatory primary water quality standards that affect the
13 quality of service provided and is not reasonably expected to furnish and maintain safe and
14 adequate service and facilities in the future; or

15 2. in violation of any order of a state or federal agency, including the Commission,
16 concerning the quality of service and is not reasonably expected to furnish and maintain safe
17 and adequate service and facilities in the future; or;

18 3. based on the purchaser’s submission of competent, substantial evidence that constitutes
19 a demonstrable, verifiable, and quantifiable showing that the utility is not reasonably expected
20 to furnish and maintain safe and adequate service and facilities over the next five (5) years in
21 the future; or

22 4. insolvent, i.e., unable to pay debts owed.

23 (2) Positive Acquisition Adjustments for a Non-Viable Utility. A positive acquisition
24 adjustment shall not be included in rate base absent proof of extraordinary circumstances. Any
25 entity that believes a ~~A full or partial positive~~ Positive acquisition Acquisition adjustment

1 Adjustment will be allowed for a non-viable system if it is demonstrated that the transaction
2 incorporating a Positive Acquisition Adjustment is projected to provide a positive cumulative
3 present value of the revenue requirements (CPVRR) benefit for customers over a five-year
4 period. ~~will benefit if a full or partial positive acquisition adjustment is allowed~~ should be
5 made has the burden to prove the existence of extraordinary circumstances. All data and
6 assumptions used in such CPVRR analysis, including the spreadsheet with formulas intact
7 used to calculate the CPVRR, must be provided using an open-source model accesible at no
8 cost to the Commission and intervenor(s) contained in the application requesting a Positive
9 Acquisition Adjustment. Form PSC XXXX (XX/23), entitled “Water and/or Wastewater
10 Utilities Cumulative Present Value of the Revenue Requirements for Acquisition Adjustment
11 Worksheet,” which is incorporated by reference in this rule and is available at <hyperlink>, is
12 an example CVPRR that may be completed by the applicant and included in the application
13 required by subsection (4) of this rule. This form may also be obtained from the Commission’s
14 website, www.floridapsc.com.

15 In determining whether customers benefit from allowance of a Positive Acquisition
16 Adjustment, ~~extraordinary circumstances have been demonstrated,~~ the Commission will ~~shall~~
17 consider competent, substantial evidence provided to the Commission that constitutes a
18 demonstrable, verifiable and quantifiable showing of: (1) ~~such as anticipated~~ improvements in
19 quality of service; ~~anticipated~~ (2) improvements in compliance with regulatory mandates;
20 ~~anticipated~~ (3) rate reductions or at least five years of rate stability; ~~over a long term period,~~
21 ~~anticipated~~ (4) cost efficiencies; and (5) ~~whether that~~ the purchase was made as part of an
22 arms-length transaction. Amortization of a ~~positive~~ Positive acquisition Acquisition
23 adjustment Adjustment ~~will~~ shall be pursuant to subsection (6) paragraph (4)(a) below.

24 (3) Positive Acquisition Adjustments for a Viable Utility. A ~~full or partial positive~~
25 Positive acquisition Acquisition adjustment Adjustment will be allowed if it is demonstrated

1 with competent, substantial evidence that the transaction incorporating the full or partial
2 positive-Positive acquisition-Acquisition adjustment-Adjustment is projected to provide
3 benefits, synergies, and cost savings equal to or greater than the revenue requirement
4 including the requested Positive Acquisition Adjustmenta-positive cumulative present value of
5 the revenue requirements (CPVRR) benefit over a five year period. All data and assumptions
6 used in the calculation of benefits, synergies and cost savings must be fully supported with
7 demonstrable, verifiable and quantifiable evidence. Amortization of a Positive Acquisition
8 Adjustment will be purusant to subsection (6) below.

9 such CPVRR analysis, including the spreadsheet with formulas intact used to calculate the
10 CPVRR, must be provided in the application requesting a full or partial positive acquisition
11 adjustment. Form PSC XXXX (XX/23), entitled “Water and/or Wastewater Utilities
12 Cumulative Present Value of the Revenue Requirements for Acquisition Adjustment
13 Worksheet,” which is incorporated by reference in this rule and is available at <hyperlink>, is
14 an example CVPRR that may be completed by the applicant and included in the application
15 required by subsection (4) of this rule. This form may also be obtained from the
16 Commission’s website, www.floridapsc.com.Negative Acquisition Adjustments. If the
17 purchase price is greater than 80 percent of net book value, a negative acquisition adjustment
18 will not be included in rate base. When the purchase price is equal to or less than 80 percent of
19 net book value, a negative acquisition adjustment shall be included in rate base and will be
20 equal to 80 percent of net book value less the purchase price. Amortization of a negative
21 acquisition adjustment shall be pursuant to subparagraph (4)(b)1. or (4)(b)2. below.

22 (4) Application. Application for a full or partial positive-Positive acquisition-Acquisition
23 adjustment-Adjustment can-must be made at the time of transfer of ownership or at any time
24 within three years of the date of the order approving of the transfer of ownership and assets.,
25 and shall include all information required by this rule to support the allowance of a Positive

1 Acquisition Adjustment.

2 (5) Negative Acquisition Adjustment. A negative acquisition adjustment will not be
3 included in rate base. If the purchase price is greater than 80 percent of net book value, a
4 negative acquisition adjustment will not be included in rate base. When the purchase price is
5 equal to or less than 80 percent of net book value, a negative acquisition adjustment shall be
6 included in rate base and will be equal to 80 percent of net book value less the purchase price.
7 Amortization of a negative acquisition adjustment shall be pursuant to subparagraph (6)(b)1.
8 or (6)(b)2. below.

9 (6) (4) Amortization Period. (a) (a) In setting the amortization period for a Commission
10 approved ~~positive~~ Positive acquisition Adjustment pursuant to
11 subsections (2) or (3) above, the Commission will ~~shall~~ consider competent, substantial
12 evidence of factors such as the composite remaining life of the assets purchased and the
13 condition of the assets purchased. Amortization of the acquisition adjustment will ~~shall~~ begin
14 on the date of issuance of the order approving the acquisition adjustment. ~~transfer of assets.~~

15 (b) The appropriate period over which to amortize a Commission approved negative
16 acquisition adjustment pursuant to subsection (3) above, shall be determined as follows:

17 1. If the purchase price is greater than 50 percent of net book value, the negative
18 acquisition adjustment shall be amortized over a 7-year period from the date of issuance of the
19 order approving the transfer of assets. In this case, the negative acquisition adjustment shall
20 not be recorded on the books for ratemaking purposes or used for any earnings review unless
21 the purchaser files for a rate increase pursuant to Section 367.081(2), 367.0814, 367.0817 or
22 367.0822, F.S., that will be effective during the amortization period.

23 2. If the purchase price is 50 percent of net book value or less, the negative acquisition
24 adjustment shall be amortized from the date of issuance of the order approving the transfer of
25 assets as follows:

1 a. 50 percent of the negative acquisition adjustment shall be amortized over a 7-year
2 period; and

3 b. 50 percent of the negative acquisition adjustment shall be amortized over the remaining
4 life of the assets.

5 ~~_(b) The appropriate period over which to amortize a Commission approved negative~~
6 ~~acquisition adjustment pursuant to subsection (3) above, shall be determined as follows:~~

7 ~~1. If the purchase price is greater than 50 percent of net book value, the negative~~
8 ~~acquisition adjustment shall be amortized over a 7-year period from the date of issuance of the~~
9 ~~order approving the transfer of assets. In this case, the negative acquisition adjustment shall~~
10 ~~not be recorded on the books for ratemaking purposes or used for any earnings review unless~~
11 ~~the purchaser files for a rate increase pursuant to Section 367.081(2), 367.0814, 367.0817 or~~
12 ~~367.0822, F.S., that will be effective during the amortization period.~~

13 ~~2. If the purchase price is 50 percent of net book value or less, the negative acquisition~~
14 ~~adjustment shall be amortized from the date of issuance of the order approving the transfer of~~
15 ~~assets as follows:~~

16 ~~a. 50 percent of the negative acquisition adjustment shall be amortized over a 7-year~~
17 ~~period; and~~

18 ~~b. 50 percent of the negative acquisition adjustment shall be amortized over the remaining~~
19 ~~life of the assets.~~

20 ~~(7) (5)-Subsequent Modification. Any full or partial allowed positive Positive acquisition~~
21 ~~Acquisition adjustment Adjustment, once made by the Commission pursuant to subsections~~
22 ~~(2) or (3) above, may be subsequently modified reduced or eliminated if the CPVRR benefits~~
23 ~~previously approved pursuant to subsection (2) or the proposed customer benefits, synergies,~~
24 ~~and cost savings previously approved pursuant to subsection (3) extraordinary circumstances~~
25 ~~do not materialize, or subsequently are eliminated or changed. Any subsequent modification~~

1 by the Commission will be within five (5) years of the date of issuance of the order approving
2 the acquisition adjustment. ~~transfer of assets.~~

3 *Rulemaking Authority 350.127(2), 367.121(1)(f) FS. Law Implemented 367.071(5),*
4 *367.081(2)(a), 367.121(1)(a), (b) FS. History—New 8-4-02, Amended 11-22-10, _____.*

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WATER AND/OR WASTEWATER UTILITIES CUMULATIVE PRESENT VALUE OF THE REVENUE
 REQUIREMENTS FOR ACQUISITION ADJUSTMENT WORKSHEET

	Nominal	5 Year					
	Total	CPVRR	Year 1	Year 2	Year 3	Year 4	Year 5
Discount Factor (Overall cost of debt and equity)	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Base Rates: Incremental Revenue Requirements¹	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Operations and Maintenance ²	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Property Tax and Insurance	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Depreciation and Amortization ³	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Interest Expense ⁴	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Return on Equity ⁵	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Income Tax ⁶	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
System Impact ⁷	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Total Incremental Base Rate Revenue Requirements	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Base Rate Revenue from Customers ⁸	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
Base Rate (Savings)/Cost⁹	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX

1 Incremental Revenue Requirement represents the difference between the Revenue Requirement with and without the Transaction.

2 Represents estimated incremental Operations and Maintenance cost for operating acquired system.

3 Incremental Depreciation and Amortization associated with the acquired assets, incremental acquired system capital expenditures and the positive acquisition adjustment.

4 Interest expense assumes X% cost of debt and X% debt to investor capital ratio.

5 Return on equity assumes X% cost of equity and X% equity to investor capital ratio.

6 Income tax assumes blended state and federal tax rate of X%.

7 Incremental fixed costs and capital needed to serve acquired system.

8 Base rate revenue from acquired customers at acquirer's forecasted rates.

9 Incremental revenue requirements netted against incremental revenue.

WORKSHOP AGENDA

1. Staff Welcome
2. Stakeholder comments on draft Rule 25-30.0371, F.A.C., Acquisition Adjustments
3. Discussion of next steps
4. Adjournment