

# Holland & Knight

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March 4, 2010

## VIA E-MAIL

Mr. Greg Shafer  
Division of Regulatory Analysis  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0852

Re: *In re: Acquisition Adjustment Workshop Regarding Rule 25-30.0371, Florida Administrative Code, Undocketed*

Aqua Utilities Florida, Inc. ("AUF") offers the following clarifications to its post-workshop comments submitted on February 26, 2010 in the undocketed matter referenced above. More specifically, after reflecting on its post-workshop comments, AUF wishes to make clear its position on the appropriate amortization period for the negative acquisition adjustment addressed in AUF's Option No. 1 if the Commission decides that changes to Rule 25-30.0371 are necessary.

AUF's suggested Option No. 1 would only operate where the negotiated purchase price is more than 50% below the net book value of the utility being acquired. Under those unique facts, this option would provide for a sharing of the calculated negative acquisition adjustment amount (i.e., the difference between the purchase price and 80% of net book value). AUF's post-workshop comments made it clear that 50% of the calculated negative acquisition amount would be immediately recognized on the utility's books for ratemaking and earning surveillance purposes. However, those comments were silent regarding how that amount would be amortized.

To clarify, AUF respectfully submits that the amount of the shared negative acquisition adjustment should be amortized over the composite remaining life of the assets purchased, which would be consistent with the amortization treatment set forth in subsection (4) of current rule. This suggested amortization is further clarified in subsections (3)(c) and (4) of Revised Option No. 1 (attached). In order to supply further clarification, and for illustrative purposes only, AUF provides the following example:

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\* Representative Office

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- **Example:** *If the purchase price is less than 50% of net book value, and the calculated amount of the negative acquisition adjustment (the difference between the purchase price and 80% of net book value) is \$400,000, then the acquiring utility would immediately recognize half of that amount (i.e., \$200,000) as a negative acquisition adjustment for ratemaking and earnings review purposes. Assuming that the remaining life of the purchased assets was 25 years, the negative acquisition adjustment would be reflected on the purchasing utility's books for 25 years, until fully amortized. Under this example, the appropriate annual amortization amount would be \$8,000. Customers would benefit from this recorded negative acquisition amount because the unamortized portion of that amount would be reflected in rates established in future rate cases for 25 years into the future.*

AUF appreciates the opportunity to provide this clarification.

Sincerely,

HOLLAND & KNIGHT LLP



D. Bruce May, Jr.

DBM:kjg  
Enclosure

cc: Kimberly A. Joyce  
William T. Rendell  
Cindy Miller

