

FLORIDA RURAL WATER ASSOCIATION

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May 4, 2023

Douglas D. Sunshine, B.C.S.
Florida Public Service Commission
Senior Attorney
Office of the General Counsel
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Via email: (douglas.sunshine@florida.psc.com)

Re: Acquisition Adjustment Rule

Dear Mr. Sunshine:

Attached please find FRWA comments the Florida Public Service Commission proposed acquisition adjustment Rule. Please let me know if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads 'Gary Williams'.

Gary Williams
Executive Director

1 **25-30.0371 Acquisition Adjustments.**

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

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

8 (b) “Positive Acquisition Adjustment” means the purchase price is greater than the net
9 book value.

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

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

13 1. demonstrates a lack of historical compliance with primary and/or secondary water
14 quality standards or other health, safety, and environmental standards established by federal,
15 state, or local agencies that affect the quality of service provided; or

16 2. demonstrates a lack of historical investment, repair, or adequate sustainable
17 maintenance; or;

18 3. demonstrates an inability to acquire and maintain adequate managerial, operational,
19 financial, or technical capabilities to ensure safe and reliable service to its customers in the
20 long-term; or

21 4. is not reasonably expected to furnish and maintain safe and reliable service and facilities
22 in the future; or

23 5. is insolvent, i.e., unable to pay debts owed or generate sufficient cash to fund operations
24 in the long-term; or

25 6. Has a negative or zero rate base.

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions
from existing law.

1 (2) Positive Acquisition Adjustments. ~~A positive acquisition adjustment shall not be~~
2 ~~included in rate base absent proof of extraordinary circumstances. Any entity that believes a~~
3 ~~full or partial positive acquisition adjustment~~ will be allowed for inclusion in rate base if it is
4 demonstrated that customers will benefit if a full or partial positive acquisition adjustment is
5 allowed ~~should be made has the burden to prove the existence of extraordinary circumstances.~~
6 In determining whether customers benefit, ~~extraordinary circumstances have been~~
7 ~~demonstrated~~, the Commission will ~~shall~~ consider evidence provided to the Commission such
8 as: anticipated improvements in quality of service, anticipated improvements in compliance
9 with regulatory mandates, anticipated rate reductions or rate stability over a long-term period,
10 anticipated cost efficiencies, increased ability to attract capital at a reasonable cost, more
11 professional and experienced managerial, financial, technical, and operational resources, if the
12 selling utility is a Non-Viable Utility, and whether the purchase was made as part of an arms-
13 length transaction. Amortization of a positive acquisition adjustment will ~~shall~~ be pursuant to
14 subsection (6) paragraph (4)(a) below.

15 ~~INegative Acquisition Adjustments. If the purchase price is greater than 80 percent of net~~
16 ~~book value, a negative acquisition adjustment will not be included in rate base. When the~~
17 ~~purchase price is equal to or less than 80 percent of net book value, a negative acquisition~~
18 ~~adjustment shall be included in rate base and will be equal to 80 percent of net book value less~~
19 ~~the purchase price. Amortization of a negative acquisition adjustment shall be pursuant to~~
20 ~~subparagraph (4)(b)1. or (4)(b)2. below.~~

21 (4) Application. Application for a full or partial positive acquisition adjustment can be
22 made at the time of transfer of ownership or at any time from the date of the order approving
23 of the transfer of ownership and assets to the acquiring utility's next base rate case proceeding.

24 (5) Negative Acquisition Adjustment. A negative acquisition adjustment will not be
25 included in rate base.

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1 ~~(6)~~ (4) Amortization Period. ~~(a)~~-In setting the amortization period for a Commission
2 approved positive acquisition adjustment pursuant to subsections (2) or (3) above, the
3 Commission will ~~shall~~ consider evidence such as the composite remaining life of the assets
4 purchased and the condition of the assets purchased. Amortization of the acquisition
5 adjustment will ~~shall~~ begin on the date of issuance of the order approving the acquisition
6 adjustment transfer of assets.

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

9 1. If the purchase price is greater than 50 percent of net book value, the negative
10 acquisition adjustment shall be amortized over a 7-year period from the date of issuance of the
11 order approving the transfer of assets. In this case, the negative acquisition adjustment shall
12 not be recorded on the books for ratemaking purposes or used for any earnings review unless
13 the purchaser files for a rate increase pursuant to Section 367.081(2), 367.0814, 367.0817 or
14 367.0822, F.S., that will be effective during the amortization period.

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

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

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

22 ~~(7)~~ (5)-Subsequent Modification. Any full or partial positive acquisition adjustment, once
23 made by the Commission pursuant to subsections (2) or (3) above, may be subsequently
24 modified if the anticipated customer benefits ~~extraordinary circumstances~~ do not materialize
25 or subsequently are substantially changed due to factors within the acquiring utility's control.

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1 Any subsequent modification by the Commission will be within five (5) years of the date of

2 issuance of the order approving 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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