

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

NOTICE OF WORKSHOP

TO

ALL INTERESTED PERSONS

UNDOCKETED

IN RE: ACQUISITION ADJUSTMENT WORKSHOP REGARDING
RULE 25-30.0371, FLORIDA ADMINISTRATIVE CODE

ISSUED: January 8, 2010

NOTICE is hereby given that the Florida Public Service Commission will conduct a workshop, to which all persons are invited, at the following time and place:

January 27, 2010, at 9:30 A.M.
Room 148, Betty Easley Conference Center
4075 Esplanade Way
Tallahassee, FL 32399-0862

The purpose of this workshop is to discuss the Commission's policy on water and wastewater acquisition adjustments as set forth in Rule 25-30.0371, Florida Administrative Code (F.A.C.), Acquisition Adjustments.

Attached hereto is a copy of the workshop agenda, Rule 25-30.0371, F.A.C., and a list of questions for comment on the Rule which will be discussed at the workshop. Interested persons are encouraged to submit comments to the Commission, and may raise additional questions and comments at the workshop. In addition, interested persons unable to attend are encouraged to submit comments.

Deadline to submit written comments for all interested persons is January 21, 2010. Please submit comments to: Greg Shafer, Division of Regulatory Analysis, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0852, or at gshafer@psc.state.fl.us. Mr. Shafer can be contacted at (850) 413-6958.

Any person requiring some accommodation at this workshop because of a physical impairment should call the Office of Commission Clerk at (850) 413-6770 at least 48 hours prior to the workshop. 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.

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Emergency Cancellation of Workshop - If a named storm or other disaster requires cancellation of the meeting, Commission staff will attempt to give timely direct notice to the parties. Notice of cancellation of the meeting will also be provided on the Commission's website (<http://www.psc.state.fl.us/>) 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 8th day of January,
2010.



ANN COLE
Commission Clerk

(SEAL)

ELS

Workshop Agenda

In Re: Acquisition Adjustment Rule Workshop regarding
Rule 25-30.0371, Florida Administrative Code

- Opening Remarks
- Staff Presentation on the Commission's Acquisition Adjustment Policy
- Questions & Comments by Interested Parties
- Questions & Comments by Commissioners
- Conclusion

Rule 25-30.0371, Florida Administrative Code, 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.

Specific Authority 350.127(2), 367.121(1)(f) FS. Law Implemented 367.071(5), 367.081(2)(a), 367.121(1)(a), (b) FS. History–New 8-4-02.

Questions for Comment

In Re: Acquisition Adjustment Rule Workshop regarding
Rule 25-30.0371, Florida Administrative Code

1. Approximately how many investor-owned water and wastewater systems under Commission jurisdiction are currently distressed and/or would benefit from being acquired by a larger utility?
2. How has the Commission's current acquisition adjustment rule impacted the acquisition strategy of investor-owned water and wastewater utilities in Florida?
3. Has the number of investor-owned water and wastewater systems available for acquisition been affected either positively or negatively by the Commission's current acquisition adjustment rule?
4. Please describe the current market for acquisitions: Are systems available for acquisition? Who is in the market to make acquisitions? Are larger investor-owned utilities incented to make acquisitions? Is capital readily available to fund acquisitions?
5. How has the Commission's acquisition adjustment rule impacted the customers of the acquired and acquiring utilities?
6. Please provide any additional comments regarding the Commission's current acquisition adjustment rule.