

1                                   A bill to be entitled  
 2           An act relating to acquisition of water and wastewater  
 3           systems; creating s. 367.0712, F.S.; authorizing  
 4           certain water and wastewater utilities to establish a  
 5           rate base value by using the fair market value when  
 6           acquiring a utility system; establishing a procedure  
 7           to determine the fair market value; requiring the rate  
 8           base value to be reflected in the acquiring utility's  
 9           next rate case for rate-making purposes; specifying  
 10          the contents required for an application to the Public  
 11          Service Commission for approval of the rate base value  
 12          of the utility system; specifying duties of the  
 13          commission in approving or denying an application;  
 14          specifying the commission's retained authority;  
 15          providing applicability; requiring the commission to  
 16          adopt rules; providing an effective date.

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 18   Be It Enacted by the Legislature of the State of Florida:

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 20           Section 1.   Section 367.0712, Florida Statutes, is created  
 21   to read:

22           367.0712 Determination of value.—  
 23           (1) When a utility acquires an existing utility system,  
 24           the utility may establish a rate base value of the acquired  
 25           system by using the fair market value of the utility property

26 instead of the system's original cost.

27 (2) (a) The fair market value of a utility system to be  
28 acquired must be based on appraisals conducted by two licensed  
29 appraisers chosen from a list established by the commission.

30 1. One appraiser shall represent and be paid by the  
31 acquiring utility and one appraiser shall represent and be paid  
32 by the selling utility.

33 2. Each appraiser shall determine the fair market value  
34 using the Uniform Standards of Professional Appraisal Practice,  
35 employing cost, market, and income approaches in assessing the  
36 value.

37 3. For rate-making purposes, the fair market value is the  
38 average of the two appraisals provided by the appraisers.

39 4. The original source of funding for the utility system  
40 being acquired is not relevant to an evaluation of fair market  
41 value.

42 (b) The acquiring utility and selling utility shall  
43 jointly retain a licensed engineer to conduct an assessment of  
44 the tangible assets of the utility system and the assessment  
45 shall be used by the two appraisers in determining the fair  
46 market value of the system.

47 (c) The acquiring utility may include in the cost of the  
48 acquired utility system:

49 1. Reasonable fees paid to utility valuation experts, if  
50 approved by the commission.

51        2. Reasonable transaction and closing costs incurred by  
52 the acquiring utility.

53        (d) The rate base value of the acquired utility system,  
54 which must be reflected in the acquiring utility's next general  
55 rate case for rate-making purposes, is equal to the lesser of  
56 the purchase price negotiated between the parties to the sale or  
57 the fair market value, and the fees and costs authorized in  
58 paragraph (c).

59        (3) An application to the commission for approval of the  
60 rate base value of the utility system to be acquired must  
61 contain the following:

62        (a) Copies of the appraisals performed by the appraisers,  
63 as provided in paragraph(2) (a).

64        (b) Any deficiency identified by the engineering  
65 assessment conducted pursuant paragraph (2) (b) and a 3-year plan  
66 for prudent and necessary infrastructure improvements by the  
67 acquiring entity.

68        (c) The projected rate impact for the selling utility's  
69 customers for the next 5 years.

70        (d) The average of the appraisers' valuations, which shall  
71 constitute the fair market value of the system.

72        (e) The assessment of tangible assets as set forth in  
73 paragraph (2) (b).

74        (f) The contract of sale.

75        (g) The estimated value of fees and transaction and

76 closing costs to be incurred by the acquiring utility.

77 (h) A tariff, including rates equal to the rates of the  
78 selling utility.

79 (4) If the application complies with the requirements of  
80 subsection (3), the commission shall issue a final order  
81 approving or denying the application within 6 months after the  
82 date on which the application was filed. An order approving an  
83 application shall determine the rate base value of the acquired  
84 utility system for rate making purposes in a manner consistent  
85 with the provisions of this section.

86 (5) Notwithstanding any provision in this section, the  
87 commission retains its authority under this chapter to set rates  
88 for the acquired system in future rate cases and may classify  
89 the acquired system as a separate entity for rate-making  
90 purposes, consistent with the public interest.

91 (6) This section applies to acquiring utilities that  
92 provide water and wastewater to more than 10,000 customers and  
93 are engaged in a voluntary and mutually agreeable acquisition of  
94 water or sewer systems.

95 (7) The commission shall adopt rules to implement this  
96 section.

97 Section 2. This act shall take effect July 1, 2019.