

Amendment No. 1

COMMITTEE/SUBCOMMITTEE ACTION

ADOPTED	<u> </u>	(Y/N)
ADOPTED AS AMENDED	<u> </u>	(Y/N)
ADOPTED W/O OBJECTION	<u> </u>	(Y/N)
FAILED TO ADOPT	<u> </u>	(Y/N)
WITHDRAWN	<u> </u>	(Y/N)
OTHER	<u> </u>	

1 Committee/Subcommittee hearing bill: Commerce Committee
 2 Representative McClain offered the following:

Amendment (with title amendment)

Remove everything after the enacting clause and insert:

Section 1. Section 367.0811, Florida Statutes, is created to read:

367.0811 Rates; alternative procedure for establishing rate base value of acquired utility system.-

(1) The Legislature finds that it is in the public interest to promote consolidation efforts with water and wastewater utility systems in order to encourage economies of scale, better access to lower material and supply costs, better access to capital, improvement in utility infrastructure, and improvement in the quality of service overall.

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16 (2) As used in this section, the term "rate stabilization
17 plan" means an acquiring utility's plan to implement rate
18 changes incrementally over a period of time to mitigate rate
19 increases and to predictably achieve consolidated pricing over
20 time.

21 (3) (a) If a utility acquires an existing utility system,
22 including a system described in s. 367.022 (2), the utility may
23 petition the commission to establish a rate base value for the
24 utility system being acquired using the valuation process in
25 this section instead of the cost method pursuant to s. 367.081.

26 (b) The rate base value established by the commission
27 under this section shall be used for ratemaking purposes in the
28 acquiring utility's next general rate case. The rate base value
29 may not exceed the lesser of the purchase price negotiated
30 between the parties to the acquisition transaction or the
31 average of the three appraisals conducted under subsection (4)
32 and may not be adjusted for contribution-in-aid-of-construction
33 or used and useful in serving the public. However, the rate base
34 value may include reasonable transaction and closing costs
35 incurred by the acquiring utility and reasonable fees paid to
36 the appraisers.

37 (4) (a) For purposes of this section, the utility system
38 being acquired shall be appraised by three licensed appraisers
39 chosen from a list established by the commission. Appraisals
40 shall be paid for by the buyer. Each appraiser shall provide an

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41 appraisal of the value of the utility system being acquired that
42 is consistent with the Uniform Standards of Professional
43 Appraisal Practice.

44 (b) The acquiring utility and the utility system being
45 acquired shall jointly retain a licensed engineer to conduct an
46 assessment of the tangible assets of the utility system being
47 acquired, and the assessment shall be provided to the three
48 appraisers for use in determining the value of the utility
49 system being acquired.

50 (5) A petition filed under this section to establish the
51 rate base value for a utility system being acquired must contain
52 all of the following:

53 (a) The requested rate base value for the utility system
54 being acquired.

55 (b) Copies of the appraisals required by this section,
56 including the average of the valuations produced by each
57 appraisal.

58 (c) A copy of the assessment of tangible assets required
59 by this section.

60 (d) A 3-year plan to address each deficiency identified by
61 the assessment of tangible assets required by this section. The
62 plan must address impact on quality of service and any planned
63 improvements to water quality.

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64 (e) The 5-year projected rate impact on the customers of
65 the utility system being acquired, including, but not limited
66 to, the rate impact of all of the following:

67 1. Any cost efficiencies expected to result from the
68 acquisition transaction.

69 2. Use of this section, instead of the cost method
70 pursuant to s. 367.081, to establish the rate base value.

71 (f) The contract of sale.

72 (g) The estimated value of fees and transaction and
73 closing costs to be incurred by the acquiring utility.

74 (h) A tariff, including rates equal to the rates of the
75 utility system being acquired, and a rate stabilization plan, if
76 applicable to the acquisition. A rate stabilization plan must be
77 filed if the acquisition would result in a significant
78 individual increase in rates during the period identified in
79 paragraph (e).

80 (6)(a) If the petition meets the filing requirements of
81 subsection (5), the commission, no later than 8 months after the
82 date the complete petition is filed, shall issue a final order
83 on the petition.

84 (b) The commission may, in the public interest, grant the
85 petition, in whole or in part, or with modifications or may deny
86 the petition.

87 (c) The commission may not approve a rate base value
88 higher than that requested in the petition.

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89 (7) Notwithstanding any provision in this section, the
90 commission may, pursuant to this chapter, set rates for the
91 acquired utility system in future rate cases and may classify
92 the acquired utility system as a separate entity for ratemaking
93 purposes if it is deemed to be in the public interest.

94 (8) This section applies to acquiring utilities that are
95 engaged in an arms-length acquisition of a water or wastewater
96 system, or both, and:

97 (a) Provide water or wastewater service, or both, to more
98 than 10,000 customers; or

99 (b) Are permitted to produce at least 3 million gallons
100 per day of drinking water.

101 (9) At minimum, in considering a rate base value petition
102 pursuant to this section, the commission must consider all of
103 the following in serving the public interest and pursuant to the
104 goals of this section:

105 (a) Improvements in quality of service.

106 (b) Improvements in compliance with regulatory
107 requirements.

108 (c) Rate reductions or rate stability over a long-term
109 period.

110 (d) Cost efficiencies.

111 (e) A demonstration that the purchase is being made as
112 part of an arms-length transaction.

113 (f) Economies of scale to be generated by the transaction.

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114 (g) A comparison of the acquiring utility's net book
115 value, to the extent available, and the proposed rate base value
116 of the utility being acquired.

117 (h) A demonstration that the acquiring utility has greater
118 access to capital than the utility being acquired.

119 (10) The commission may set reasonable performance goals
120 based on the standards specified in subsection (9) and review
121 utility performance regarding these standards in a rate
122 proceeding.

123 (11) The commission shall adopt rules to implement this
124 section.

125 Section 2. This act shall take effect July 1, 2023.

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128 **T I T L E A M E N D M E N T**

129 Remove everything before the enacting clause and insert:

130 A bill to be entitled

131 An act relating to utility system rate base values; creating s.
132 367.0811, F.S.; providing legislative findings; defining the
133 term "rate stabilization plan"; establishing an alternative
134 procedure by which the Florida Public Service Commission may
135 establish a rate base value for certain acquired utility
136 systems; requiring that the approved rate base value be
137 reflected in the acquiring utility's next general rate case for
138 ratemaking purposes; establishing a procedure for appraisal of

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139 | the acquired utility system; providing the contents required for
140 | a petition to the commission for approval of the rate base value
141 | of the acquired utility system; providing duties of the
142 | commission regarding petitions; authorizing the commission to
143 | set rates for and classify certain acquired utility systems;
144 | providing applicability; requiring the commission to take
145 | certain factors into consideration for certain rate base value
146 | petitions; requiring the commission to adopt rules; providing an
147 | effective date.