

1 A bill to be entitled
 2 An act relating to utility system rate base values;
 3 creating s. 367.08101, F.S.; establishing an
 4 alternative procedure by which the Public Service
 5 Commission may establish the rate base value for
 6 certain acquired utility systems; requiring the
 7 approved rate base value to be reflected in the
 8 acquiring utility's next general rate case for
 9 ratemaking purposes; establishing a procedure for
 10 appraisal of the acquired utility system; providing
 11 the contents required for a petition to the commission
 12 for approval of the rate base value of the acquired
 13 utility system; providing duties of the commission
 14 regarding petitions; authorizing the commission to set
 15 rates for and classify certain acquired utility
 16 systems; providing applicability; requiring the
 17 commission to adopt rules; providing an effective
 18 date.

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

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

24 367.0811 Rates; alternative procedure for establishing
 25 rate base value of acquired utility system.-

26 (1) (a) If a utility acquires an existing utility system,
27 including a system described in s. 367.022(2), the utility may
28 petition the commission to establish a rate base value for the
29 utility system being acquired using the valuation process in
30 this section instead of the cost method pursuant to s. 367.081.

31 (b) The rate base value established by the commission
32 under this section shall be used for ratemaking purposes in the
33 acquiring utility's next general rate case. The rate base value
34 may not exceed the lesser of the purchase price negotiated
35 between the parties to the acquisition transaction or the
36 average of the three appraisals conducted under subsection (2)
37 and may not be adjusted for capital in aid of construction used
38 and useful in serving the public. However, the rate base value
39 may include reasonable transaction and closing costs incurred by
40 the acquiring utility and reasonable fees paid to the
41 appraisers.

42 (2) (a) For purposes of this section, the utility system
43 being acquired shall be appraised by three licensed appraisers
44 chosen from a list established by the commission. Appraisals
45 shall be paid for by the buyer. Each appraiser shall provide an
46 appraisal of the value of the utility system being acquired that
47 is consistent with the Uniform Standards of Professional
48 Appraisal Practice.

49 (b) The acquiring utility and the utility system being
50 acquired shall jointly retain a licensed engineer to conduct an

51 assessment of the tangible assets of the utility system being
52 acquired, and the assessment shall be provided to the three
53 appraisers for use in determining the value of the utility
54 system being acquired.

55 (3) A petition filed under this section to establish the
56 rate base value for a utility system being acquired must contain
57 all of the following:

58 (a) The requested rate base value for the utility system
59 being acquired.

60 (b) Copies of the appraisals required by this section,
61 including the average of the valuations produced by each
62 appraisal.

63 (c) A copy of the assessment of tangible assets required
64 by this section.

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

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

72 1. Any cost efficiencies expected to result from the
73 acquisition transaction.

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

76 (f) The contract of sale.

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

79 (h) A tariff, including rates equal to the rates of the
 80 utility system being acquired.

81 (4) (a) If the petition meets the filing requirements of
 82 subsection (3), the commission, no later than 8 months after the
 83 date the complete petition is filed, shall issue a final order
 84 on the petition.

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

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

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

95 (6) This section applies to acquiring utilities that
 96 provide water or wastewater service, or both, to more than
 97 10,000 customers and are engaged in an arms-length acquisition
 98 of a water or wastewater system, or both, or 3 million gallons
 99 per day of permitted drinking water.

100 (7) The commission shall adopt rules to implement this

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2023

101 | section.

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