

By Senator Hooper

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1 A bill to be entitled
2 An act relating to utility system rate base values;
3 creating s. 367.0811, F.S.; establishing an
4 alternative procedure by which the Public Service
5 Commission may establish a rate base value for certain
6 acquired utility systems; requiring the approved rate
7 base value to be reflected in the acquiring utility's
8 next general rate case for ratemaking purposes;
9 establishing a procedure for appraisal of the acquired
10 utility system; providing the contents required for a
11 petition to the commission for approval of the rate
12 base value of the acquired utility system; providing
13 duties of the commission regarding petitions;
14 authorizing the commission to set rates for and
15 classify certain acquired utility systems; providing
16 applicability; requiring the commission to adopt
17 rules; providing an effective date.

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

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

23 367.0811 Rates; alternative procedure for establishing rate
24 base value of acquired utility system.-

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

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

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

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

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

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

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

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

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

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

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

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

75 (f) The contract of sale.

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

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

80 (4) (a) If the petition meets the filing requirements of
81 subsection (3), 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 grant the petition, in whole or in
85 part, or with modifications in the public interest, or may deny
86 the petition if it is in the public interest.

87 (c) The commission may not approve a rate base value higher

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88 than that requested in the petition.

89 (5) 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 (6) This section applies to acquiring utilities that
95 provide water or wastewater service, or both, to more than
96 10,000 customers and are engaged in an arms-length acquisition
97 of a water or wastewater system, or both, or 3 million gallons
98 per day of permitted drinking water.

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

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