

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 ratemaking purposes; specifying the
 10 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 regarding applications; specifying the
 14 commission's retained authority; providing
 15 applicability; requiring the commission to adopt
 16 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 utility system by using the fair market value of the utility

26 system 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 utility system being acquired.

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 ratemaking purposes, the fair market value is the
38 average of the two appraisals.

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 utility system being
43 acquired shall jointly retain a licensed engineer to conduct an
44 assessment of the tangible assets of the utility system and the
45 assessment shall be used by the two appraisers in determining
46 the fair 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 the appraisers, if approved by
50 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 ratemaking purposes, is equal to the lesser of the
56 purchase price negotiated between the parties to the sale or the
57 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 pursuant to paragraph(2) (a).

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

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

69 (d) The average of the appraisals, which shall constitute
70 the fair market value of the system.

71 (e) The assessment of tangible assets pursuant to (2) (b).

72 (f) The contract of sale.

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

75 (h) A tariff, including rates equal to the rates of the

76 selling utility.

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

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

89 (6) This section applies to acquiring utilities that
90 provide water and wastewater services to more than 10,000
91 customers and are engaged in a voluntary and mutually agreeable
92 acquisition of a water and wastewater system.

93 (7) The commission shall adopt rules to implement this
94 section.

95 Section 2. This act shall take effect July 1, 2020.