

Committee on Regulated Industries

CS/CS/HB 125 — Utility System Rate Base Values

by Commerce Committee; Energy, Communications and Cybersecurity Subcommittee; and Rep. McClain (CS/SB 194 by Regulated Industries Committee and Senator Hooper)

The bill creates s. 367.0811, F.S., to authorize public water and wastewater utilities to utilize an alternative fair market valuation methodology to establish the rate base for an acquired water or wastewater utility system using the lesser of either:

- The purchase price paid for the acquired utility; or
- The average of three appraisals of the value of the acquired utility (appraised by three licensed appraisers chosen from a list established by the Florida Public Service Commission (PSC)).

The acquiring utility and the utility system to be acquired (acquiree) must jointly retain a licensed engineer to assess the tangible assets of the acquiree. This assessment must be provided to the appraisers to assist in valuing the acquiree.

A rate base petition filed pursuant to s. 367.0811, F.S., must include a number of disclosures relating to the specifics of the acquisition, projected rate impacts, and, in some circumstances, a rate stabilization plan. The acquisition must be an arm's length transaction, and the bill establishes a minimum size for the acquiring utility.

In considering the petition, the bill directs the PSC, at minimum, to consider all of the following:

- Improvements in quality of service.
- Improvements in compliance with regulatory requirements.
- Rate reductions or rate stability over a long-term period.
- Cost efficiencies.
- Demonstration that the purchase is being made as part of an arm's length transaction.
- Economies of scale to be generated by the transaction.
- Comparison of the acquirer's net book value, to the extent available, and the proposed rate base value of the acquiree.
- Demonstration that the acquirer has greater access to capital than the acquiree.

The PSC may use these standards to set reasonable performance goals and may review performance regarding the standards in a rate proceeding. For future rate cases, the PSC may classify the acquired utility system as a separate entity for ratemaking purposes if it is deemed to be in the public interest.

The bill also directs the PSC to adopt rules to implement s. 367.0811, F.S.

If approved by the Governor, or allowed to become law without the Governor's signature, these provisions take effect July 1, 2023.

Vote: Senate 38-0; House 112-2