

UTILITIES COMMISSION[199]

Regulatory Analysis

Notice of Intended Action to be published: rule 199—41.6(476)
“Water and Wastewater System Enhancement Infrastructure”

Iowa Code section(s) or chapter(s) authorizing rulemaking: 476.59 as enacted by 2026 Iowa Acts, Senate File 2304, and 476.84

State or federal law(s) implemented by the rulemaking: 2026 Iowa Acts, Senate File 2304

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

October 30, 2026
9 a.m.

Utilities Commission Hearing Room
1375 East Court Avenue
Des Moines, Iowa

Public Comment

Any interested person may submit written or oral comments concerning this Regulatory Analysis, which must be received by the Utilities Commission (Commission) no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

IT Support
Utilities Commission
1375 East Court Avenue
Des Moines, Iowa 50319
Phone: 515.725.7300
Email: ITsupport@iuc.iowa.gov

Purpose and Summary

The purpose of the proposed rulemaking is to implement 2026 Iowa Acts, Senate File 2304, which was signed into law by Governor Reynolds on June 1, 2026. This legislation enacted new Iowa Code section 476.59, which authorizes alternative ratemaking mechanisms for water and wastewater treatment companies to use for system enhancement infrastructure. The new statute requires the Commission to review system enhancement plans and conduct contested case proceedings for the application of such plans. Under the new statute, the Commission is also charged with reviewing the system enhancement charge that is created from the approval of the system enhancement plans. The reference to Iowa Code section 476.59 in the proposed text is to that section as enacted by 2026 Iowa Acts, Senate File 2304. The rulemaking establishes procedures for implementing the law.

Analysis of Impact

1. Persons affected by the proposed rulemaking:

• Classes of persons that will bear the costs of the proposed rulemaking:

The persons affected by this rulemaking that would bear the costs would be any investor-owned public utility providing water or wastewater service subject to rate regulation by the Commission pursuant to Iowa Code section 476.1 that wishes to recover costs of certain investments in infrastructure. The costs of the rulemaking will ultimately be passed onto the utility's ratepayers.

- **Classes of persons that will benefit from the proposed rulemaking:**

The persons benefiting from this rulemaking would be any investor-owned public utility providing water or wastewater service subject to rate regulation by the Commission pursuant to Iowa Code section 476.1 that wishes to recover costs of certain investments in infrastructure so as to be able to recover costs outside of traditional ratemaking principles or traditional cost recovery mechanisms. The utility's ratepayers may also benefit from the rulemaking by having a consistent, streamlined process. By including the system enhancement plan, the utility may not need to file as many rate cases, which could financially benefit ratepayers by allowing more time to pass in between expensive rate cases.

2. Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:

- **Quantitative description of impact:**

The quantitative impact will be increased costs borne by the investor-owned water or wastewater service providers that wish to file for recovery of certain infrastructure projects under this new rule. However, this rule also provides for recovery of the certain infrastructure costs, which would likely outweigh the cost borne for the Commission's review and contested case proceeding. The utility pays the Commission's costs of the rulemaking and any proceeding under the new rule; however, those costs will then be passed onto the utility's ratepayers.

- **Qualitative description of impact:**

The qualitative impact of this rulemaking will be requiring the company to create and file a system enhancement plan and subsequent system enhancement charge, if the plan is approved. This will only be required if the company chooses to request alternative ratemaking principles for the recovery of the system enhancement infrastructure.

3. Costs to the State:

- **Implementation and enforcement costs borne by the agency or any other agency:**

The Commission will incur costs through receiving and reviewing system enhancement improvement plans and system enhancement charges for compliance with the new rules, as well as conducting contested case proceedings.

- **Anticipated effect on State revenues:**

There is no anticipated effect on State revenues.

4. Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:

The rule could result in increased expenses for water and wastewater companies under the Commission's rate jurisdiction to participate and prepare for Commission review and contested cases. However, this rule allows companies to collect revenue more quickly and without a full rate case review, which is a benefit and could save or even provide the companies more money in the long run. The Commission would be required to review these filings whether there were rules or not because they are required by the underlying statute; however, the statute requires the Commission to create rules, so inaction is not a possibility.

5. Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:

The Commission does not believe there are any less costly methods of securing the public benefit associated with this proposed rulemaking.

6. Alternative methods considered by the agency:

- **Description of any alternative methods that were seriously considered by the agency:**

The Commission did not consider any alternative methods for implementing the requirements set out by Iowa Code section 476.59 as enacted by 2026 Iowa Acts, Senate File 2304.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

Not applicable.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

There is no anticipated impact on small business.

Text of Proposed Rulemaking

ITEM 1. Adopt the following new rule 199—41.6(476):

199—41.6(476) Water and wastewater system enhancement infrastructure.

41.6(1) *Commission order required.* The commission shall issue a final order within 243 days of the filing of the eligible utility's application unless otherwise ordered by the commission for good cause.

41.6(2) *Application filing timeline.*

a. An application for water or wastewater system enhancement improvements cannot be filed by a water or wastewater utility during the pendency of a rate case as prescribed in Iowa Code section 476.6.

b. A water or wastewater system enhancement improvement application may be filed once per year for the five years following the issuance of a final order for a water or wastewater utility's most recent rate case.

(1) The issuance of a final order for a rate case utilizing a historic test year is a commission order making a final determination with regard to the utility's rates.

(2) The issuance of a final order for a rate case utilizing a future test year is the final commission order following the subsequent proceeding.

41.6(3) *Extension for good cause shown.* Pursuant to Iowa Code section 476.59(3) "c," any intervening party to the contested case may petition the commission for an extension of time for issuing a final order; such petition shall be ruled upon by the commission within 14 days of the filing. The commission may, on its own action, issue an order extending the time for which a final order must be issued; such an order shall detail the good cause for extension of the timeline.

41.6(4) *Contested case.* In addition to rule 199—1.6(17A,474) and 199—Chapters 14 and 2506, the following rules shall also apply:

a. Upon the filing of an application, interested parties have 30 days to request a formal procedural schedule be set in the matter.

b. A hearing in the matter shall be held no later than 175 days after the filing of an application unless good cause is shown to extend the timeline.

41.6(5) *Contributions in aid of construction.* Pursuant to Iowa Code section 476.89(4) "b" (2), an eligible utility cannot recover contributions in aid of construction.

a. "Contribution in aid of construction" is defined in 199—paragraph 21.3(5) "a."

b. If a project detailed in a plan is receiving contributions in aid of construction, the eligible utility is required to clearly identify the amount received for the project.

41.6(6) *Notice to customers.* Upon filing an application, the eligible utility is required to also provide a proposed notice of rate increase to be distributed to all customers. The commission will approve or deny the proposed notice within 30 days of filing. The notice is required to include the following information:

- a.* The total requested increase.
- b.* When the increase will take effect.
- c.* The average impact on monthly bills per rate class in total percentage increase and total dollar amounts.
- d.* The assigned docket number from the commission's electronic filing system.
- e.* How an impacted customer can contact the eligible utility to ask questions regarding the rate increase.
- f.* How an impacted customer can contact the commission.
- g.* How an impacted customer can become involved in the proceeding.