

476.84 Water, sanitary sewer, and storm water utilities — acquisitions — advance ratemaking.

1. **This section** applies to the acquisition of water, sanitary sewer, and storm water utilities by rate-regulated public utilities. **This section** does not apply to the acquisition of such utilities by non-rate-regulated entities described in [section 476.1, subsection 4](#).

2. *a.* A public utility shall not acquire, in whole or in part, a water, sanitary sewer, or storm water utility with a fair market value of five hundred thousand dollars or more from a non-rate-regulated entity described in [section 476.1, subsection 4](#), unless the board first approves the acquisition. In addition, if the utility to be acquired is a city utility, then the public utility shall not acquire the city utility until the city has first met the requirements of [section 388.2A](#).

b. If a water, sanitary sewer, or storm water utility that is the subject of an acquisition meets the requirements of paragraph “a”, then the acquiring public utility may apply to the board, prior to the completion of the acquisition, for advance approval of a proposed initial tariff for providing service to customers of the acquired utility.

c. As part of its review of the proposed acquisition, the board shall specify in advance, by order issued after a contested case proceeding, the ratemaking principles that will apply when the costs of the acquired utility are included in regulated rates. The lesser of the sale price or the fair market value of the acquired utility as established pursuant to [section 388.2A, subsection 2](#), shall be used in determining the applicable ratemaking principles. In determining the applicable ratemaking principles, the board shall not be limited to traditional ratemaking principles or traditional cost recovery mechanisms. Among the principles and mechanisms the board may consider, the board has the authority to approve ratemaking principles that provide for reasonable restrictions upon the ability of the public utility to seek an increase in specified regulated rates for a period of time after the acquisition takes place.

d. In determining the applicable ratemaking principles, the board shall find that the proposed acquisition will result in just and reasonable rates to all customers of the public utility, including but not limited to existing customers of the public utility. In making this finding, the board may consider any factor it reasonably concludes may affect future rates, including but not limited to the price paid for the acquired utility and the projected cost of reasonable and prudent changes to the acquired utility in order to provide adequate services and facilities to customers. The board shall consider whether there are ratemaking principles that will result in just and reasonable rates to all customers in determining whether to approve or disapprove a proposed acquisition.

e. Upon the approval of a proposal for acquisition by board order, the parties subject to the acquisition shall have the option of either proceeding with such acquisition or not, subject to any termination provisions contained in the acquisition agreement.

f. Notwithstanding any provision of [this chapter](#) to the contrary, the ratemaking principles established by the board pursuant to [this section](#) shall be binding with regard to the acquired utility in any subsequent rate proceeding.

[2018 Acts, ch 1024, §3](#)