

Senate Study Bill 3057 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE
ON COMMERCE BILL BY
CHAIRPERSON CHAPMAN)

A BILL FOR

1 An Act relating to the acquisition of water, sanitary sewer, or
2 storm water facilities between public utilities.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 476.59 Water, sanitary sewer, and
2 storm water facilities — acquisitions — ratemaking principles.

3 1. For purposes of this section:

4 a. "Public utility" means the same as defined in section
5 476.1.

6 b. "Ratemaking principles" means the methods or principles
7 used to establish the rate base.

8 c. "Water, sanitary sewer, or storm water facility" means
9 a facility used by a public utility to furnish water by piped
10 distribution, or furnish sanitary sewer or storm water drainage
11 disposal by piped collection, to the public for compensation.

12 2. a. A public utility shall not acquire, in whole or
13 in part, a water, sanitary sewer, or storm water facility
14 from another public utility unless the board approves the
15 acquisition. Prior to the acquisition, the applicant shall
16 file with the board a proposal for acquisition with supporting
17 testimony and evidence to establish all of the following:

18 (1) The acquisition is the result of a mutual agreement
19 between the public utilities subject to the acquisition.

20 (2) The public utilities subject to the acquisition are not
21 affiliated and share no ownership interests.

22 (3) The acquired water, sanitary sewer, or storm water
23 facility will be used to furnish water, sanitary sewer, or
24 storm water drainage disposal.

25 (4) The costs incurred by the applicant, including but not
26 limited to closing costs and other expenses incident to the
27 acquisition, will be reasonable and included in the rate base.

28 b. The board shall review a proposal for acquisition in the
29 same manner and by the same procedure as that for a proposal
30 for reorganization pursuant to section 476.77.

31 3. a. Upon the approval of a proposal for acquisition,
32 the board shall specify in advance, by order issued after a
33 contested case proceeding, the ratemaking principles that will
34 apply when the costs of the water, sanitary sewer, or storm
35 water facility are included in rates.

1 *b.* In determining the applicable ratemaking principles, the
2 board shall ensure that the rate base is equal to either the
3 fair market value of the acquired assets, as determined by an
4 appraisal conducted in compliance with the uniform standards of
5 professional appraisal practice by an appraiser approved by the
6 board, or a rate base otherwise approved by the board.

7 *c.* The order setting forth the applicable ratemaking
8 principles shall be issued prior to the acquisition of the
9 water, sanitary sewer, or storm water facility.

10 *d.* Notwithstanding any provision of this chapter to
11 the contrary, the ratemaking principles established by the
12 order issued pursuant to paragraph "c" shall be binding with
13 regard to the specific public utility in any subsequent rate
14 proceeding.

15 EXPLANATION

16 The inclusion of this explanation does not constitute agreement with
17 the explanation's substance by the members of the general assembly.

18 This bill provides criteria for the Iowa utilities board to
19 approve acquisitions of water, sanitary sewer, and storm water
20 facilities and establish advanced ratemaking principles.

21 The bill prohibits a public utility, defined in the bill
22 to mean the same as defined in Code section 476.1, from
23 acquiring a water, sanitary sewer, or storm water facility
24 unless the board approves the acquisition. The bill defines
25 "water, sanitary sewer, or storm water facility" to mean a
26 facility used by a public utility to furnish water by piped
27 distribution, or furnish sanitary sewer or storm water drainage
28 disposal by piped collection, to the public for compensation.

29 The bill requires a public utility to file with the board a
30 proposal for acquisition with supporting evidence to establish
31 that the acquisition is a result of a mutual agreement, the
32 public utilities subject to the acquisition are not affiliated,
33 the acquired facility will be used to furnish water, sanitary
34 sewer, or storm water drainage disposal, and the costs and
35 expenses incident to the acquisition will be reasonable and

1 included in the rate base. The bill requires the board to
2 review a proposal for acquisition pursuant to the same manner
3 and procedure as a proposal for reorganization under Code
4 section 476.77.

5 The bill requires the board, upon the approval of a proposal
6 for acquisition, to specify advanced ratemaking principles
7 by order issued after a contested case proceeding, when the
8 costs of the water, sanitary sewer, or storm water facility are
9 included in rates. The bill defines "ratemaking principles"
10 to mean the methods or principles used to establish the rate
11 base. In determining the applicable ratemaking principles, the
12 board shall ensure that the rate base is equal to either the
13 fair market value of the acquired assets, as determined by an
14 appraisal, or a rate base otherwise approved by the board. The
15 order setting forth the applicable ratemaking principles shall
16 be issued prior to any acquisition. The ratemaking principles
17 shall be binding with regard to the specific public utility in
18 subsequent rate proceedings.