

**House Study Bill 517 - Introduced**

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE  
ON COMMERCE BILL BY  
CHAIRPERSON CARLSON)

**A BILL FOR**

1 An Act relating to the disposal and acquisition of city water  
2 utilities, including at-risk systems.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 388.2A, subsection 2, paragraphs a and b,  
2 Code 2020, are amended to read as follows:

3 a. (1) The governing body of the city utility shall  
4 determine the fair market value of the utility system after  
5 obtaining ~~two appraisals~~ an appraisal of the system's fair  
6 market value. ~~One~~ The appraisal shall be obtained from an  
7 independent appraiser ~~selected by the governing body, and the~~  
8 ~~other appraisal shall be obtained from an independent appraiser~~  
9 approved by the Iowa utilities board. ~~Both appraisals~~ For  
10 systems with more than two thousand connections, a second  
11 appraisal shall be obtained from an independent appraiser  
12 selected by the governing body. Appraisals shall be conducted  
13 in conformance with the uniform standards of professional  
14 appraisal practice or substantially similar standards.

15 (2) Any appraisal obtained pursuant to this paragraph  
16 shall consider the depreciated value of the capital assets  
17 to be sold, the loss of future revenues to the city utility,  
18 including the right to generate surpluses, and the cost of any  
19 capital improvements reasonably necessary to provide adequate  
20 service and facilities to the city utility's customers.

21 b. After considering the appraisal or appraisals obtained  
22 pursuant to paragraph "a", as applicable, the governing body  
23 shall establish the city utility's fair market value. The fair  
24 market value shall be the greater of any of the following:

25 (1) The appraisal or, in the case of a system with more than  
26 two thousand connections, the average of the two appraisals  
27 obtained pursuant to paragraph "a".

28 (2) The depreciated value of the capital assets to be sold.

29 (3) The amount necessary to retire all of the city's  
30 outstanding revenue and general obligations issued for purposes  
31 of the city utility.

32 Sec. 2. NEW SECTION. 455B.199D **At-risk utility systems.**

33 1. For purposes of this section, "at-risk system" means a  
34 city drinking water, sanitary sewage, or storm water drainage  
35 system that the city determines meets any of the following

1 criteria:

2 a. The system serves a disadvantaged community as described  
3 in section 455B.199B.

4 b. The system includes a water treatment plant, water  
5 distribution system, or wastewater treatment plant that has  
6 not been operated by a competent operator pursuant to section  
7 455B.223 within the previous twelve months.

8 c. The system serves two thousand or fewer connections.

9 d. The system violated one or more state or federal  
10 statutory or regulatory requirements in a manner that affects  
11 the safety, adequacy, or efficiency of its services or  
12 facilities.

13 2. A new owner of an at-risk system following disposal of  
14 the system by sale pursuant to section 388.2A may provide to  
15 the department proof of the availability of financial resources  
16 to meet system upgrade requirements and a revised timetable  
17 for compliance with department rules. The department shall  
18 agree to the revised timetable if the department determines  
19 the revised timetable is reasonable based on the information  
20 provided by the new owner.

21 Sec. 3. Section 476.84, subsection 2, Code 2020, is amended  
22 by adding the following new paragraph:

23 NEW PARAGRAPH. *0e.* If the acquisition involves a utility  
24 that is an at-risk system as defined in section 455B.199D, the  
25 board shall issue a final order on an application for approval  
26 of the acquisition within one hundred eighty days of the filing  
27 date of the application.

28 EXPLANATION

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

31 This bill relates to the disposal and acquisition of city  
32 water utilities.

33 Current law requires the governing body of a city utility  
34 to determine the fair market value of the utility system by  
35 obtaining the average of two appraisals from an independent

1 appraiser, among other factors. The bill requires a governing  
2 body to seek two appraisals only when the system has more than  
3 2,000 connections; otherwise the governing body only needs to  
4 seek one appraisal.

5 The bill defines the term "at-risk system" as it relates  
6 to city water utilities. Under the bill, when a city utility  
7 system that is disposed of by sale is an at-risk system, the  
8 new owner may provide to the department of natural resources  
9 proof of the availability of financial resources to meet  
10 system upgrade requirements and provide a revised timetable  
11 for compliance with department rules. If the department  
12 determines that the revised timetable is reasonable based on  
13 the information provided by the new owner, the department shall  
14 agree to the timetable.

15 The bill requires the utilities board within the utilities  
16 division of the department of commerce to issue a final order  
17 within 180 days when a public utility applies for approval of  
18 the acquisition of an at-risk system.