

Senate Study Bill 3060 - Introduced

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

A BILL FOR

1 An Act relating to the acquisition of water, sanitary sewer,
2 and storm water utilities, including required findings by
3 the Iowa utilities commission, the timeline for issuing
4 ratemaking principles, and the determination of applicable
5 ratemaking principles.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 476.84, subsection 2, paragraphs a and c,
2 Code 2026, are amended to read as follows:

3 a. A public utility shall not acquire, in whole or
4 in part, a water, sanitary sewer, or storm water utility
5 ~~with a purchase price of three million dollars or more~~
6 ~~from a non-rate-regulated entity described in section~~
7 ~~476.1, subsection 3,~~ unless the commission first approves
8 the acquisition and finds that the acquisition will not
9 detrimentally affect ratepayers of either the utility to be
10 acquired or the acquiring utility. In addition, if the utility
11 to be acquired is a city utility, then the public utility
12 shall not acquire the city utility until the city has first
13 certified completion of the requirements of [sections 362.3,](#)
14 [364.2, 364.7, 384.84, 388.2, 388.2A,](#) and [388.6.](#) A certified
15 completion submitted pursuant to this paragraph shall contain
16 an affirmation that the city that is the subject of the
17 acquisition has timely and substantially complied in relation
18 to the acquisition with the applicable provisions of sections
19 [362.3, 364.2, 364.7, 384.84, 388.2, 388.2A,](#) and [388.6.](#)

20 c. As part of its review of the proposed acquisition, the
21 commission shall specify ~~in advance,~~ by order issued after
22 a contested case proceeding, the ratemaking principles that
23 will apply when the costs of the acquired utility are included
24 in regulated rates, and the commission shall not defer the
25 ratemaking principles to a later contested case proceeding.
26 The lesser of the sale price ~~or the fair market value~~ of the
27 acquired utility as established pursuant to section 388.2A,
28 subsection 2, or the net book value of the acquired utility,
29 as established in the contested case proceeding, shall be
30 used in determining the applicable ratemaking principles.
31 In determining the applicable ratemaking principles, the
32 commission shall not be limited to traditional ratemaking
33 principles or traditional cost recovery mechanisms. Among the
34 principles and mechanisms the commission may consider, the
35 commission has the authority to approve ratemaking principles

1 that provide for reasonable restrictions upon the ability of
2 the public utility to seek an increase in specified regulated
3 rates for a period of time after the acquisition takes place.
4 If the acquisition would increase the average rate base per
5 customer for existing customers of the acquiring utility,
6 the commission shall not consolidate the rates for the two
7 utilities for a period of at least ten years following the
8 contested case proceeding. The final order including the rate
9 base and approving the acquisition shall consider reasonable
10 and customary closing costs, the cost of appraisals, and
11 regulatory and legal expenses incurred in connection with the
12 acquisition.

13 EXPLANATION

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

16 This bill relates to the acquisition of water, sanitary
17 sewer, and storm water utilities, including required findings
18 by the Iowa utilities commission (commission), the timeline
19 to issue ratemaking principles, and the determination of
20 applicable ratemaking principles.

21 Under current law, a public utility is not allowed to acquire
22 a water, sanitary sewer, or storm water utility with a purchase
23 price of \$3 million or more without commission approval.
24 The bill removes the \$3 million qualifier and requires the
25 commission to find, in addition to current requirements, that
26 the acquisition will not detrimentally affect ratepayers of
27 either the utility to be acquired or the acquiring utility.

28 Under current law, the commission provides ratemaking
29 principles after a contested case proceeding. This could
30 include a general rate case in a later contested case
31 proceeding. The bill requires the commission to provide
32 ratemaking principles before the acquisition is approved
33 and prohibits the commission from deferring the ratemaking
34 principles to a later contested case proceeding.

35 Under current law, the lesser of the sale price or the

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1 established fair market value of the acquired utility is used
2 in determining the applicable ratemaking principles. The bill
3 replaces the established fair market value option with the
4 net book value, which is established in the contested case
5 proceeding.

6 If the acquisition would increase the average rate base per
7 customer for existing customers of the acquiring utility, the
8 bill directs the commission to prohibit the consolidation of
9 rates for the two utilities for a period of at least 10 years
10 following the contested case proceeding.