House File 2279 - Reprinted

HOUSE FILE 2279 BY COMMITTEE ON COMMERCE

(SUCCESSOR TO HSB 555)

(As Amended and Passed by the House April 19, 2024)

A BILL FOR

- 1 An Act relating to public utilities, including energy
- 2 production, public utility affiliates, and cable and video 3 service.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 DIVISION I 2 ENERGY PRODUCTION 3 Section 1. Section 364.2, subsection 4, Code 2024, is 4 amended by adding the following new paragraph: NEW PARAGRAPH. h. (1) When a person requests a franchise 5 6 for a merchant line as defined in section 478.6A and that 7 requester possesses a franchise issued by the Iowa utilities 8 board outside of a city, and when the proposed merchant line 9 is more than fifty miles in total length within the state and 10 will be underground within the limits of the city, all of the 11 following apply: 12 (a) A person shall submit a written franchise request 13 including the proposed terms and conditions of the franchise. (b) Upon receipt of the franchise request for a merchant 14 15 line, a city shall conduct a hearing pursuant to this 16 subsection. The city and the person may negotiate the terms 17 of a franchise prior to the approval of an ordinance. A city 18 may not unreasonably refuse to grant a franchise for a merchant 19 line. If the city denies the franchise request, the city shall 20 provide the person with a written denial of the franchise based 21 on substantial evidence in the record demonstrating that the 22 proposed transmission line would have a significant adverse 23 impact on the health or safety of the city's residents or 24 public facilities that would not have been considered by the 25 Iowa utilities board. 26 If the city has not held the required hearing or has not (C) 27 acted on a request for a franchise for a merchant line within 28 ninety days of the receipt of the request, notwithstanding any 29 other terms of the Code, the franchise is deemed approved by 30 the city. If a request is timely denied, the person may seek a 31 certiorari judicial review by filing a petition either in Polk 32 county district court or in the district court for the county 33 in which the petitioner resides or the principal place of the 34 requester for the merchant line.

35 (d) This subsection applies to eligible merchant lines for

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which a franchise has been granted pursuant to chapter 478
 prior to the effective date of this subsection.

(2) This paragraph is repealed effective January 1, 2026. 3 4 Sec. 2. Section 476.42, subsection 1, paragraph a, 5 subparagraph (1), Code 2024, is amended to read as follows: (1) A solar, wind turbine, electric storage unit, nuclear, 6 7 waste management, resource recovery, refuse-derived fuel, 8 agricultural crops or residues, or woodburning facility. For 9 purposes of this definition only, "waste management" includes a 10 facility using plasma gasification to produce synthetic gas, 11 either as a stand-alone fuel or for blending with natural gas, 12 the output of which is used to generate electricity or steam. 13 For purposes of this definition only, "plasma gasification" 14 means the thermal dissociation of carbonaceous material into 15 fragments of compounds in an oxygen-starved environment. 16 Sec. 3. Section 476.48, subsection 6, Code 2024, is amended

17 by striking the subsection.

18 Sec. 4. Section 476A.1, subsection 5, Code 2024, is amended 19 to read as follows:

5. *Facility* means any electric power generating plant, electric storage unit, or a combination of plants or units at a single site, owned by any person, with a total capacity of twenty-five or more megawatts of electricity for plants or twenty-five or more megawatt hours of electricity for electric storage units, and those associated transmission lines connecting the generating plant or electric storage unit to either a power transmission system or an interconnected primary transmission system or both. Transmission lines subject to the provisions of this subchapter shall not require a franchise under chapter 478.

31 DIVISION II 32 PUBLIC UTILITY AFFILIATES 33 Sec. 5. Section 476.74, subsection 5, Code 2024, is amended 34 to read as follows: 35 5. Exemption. The provisions of this section requiring

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1 filing of contracts or agreements with the board shall not 2 apply to transactions with an affiliate where the amount of 3 consideration involved is not in excess of fifty thousand 4 dollars or five percent of the capital equity of the utility, 5 whichever is smaller two hundred fifty thousand dollars. 6 However, regularly recurring payments under a general or 7 continuing arrangement which that aggregate a greater annual 8 amount shall not be broken down into a series of transactions 9 to come within this exemption. In any proceeding involving 10 the rates, charges, or practices of the public utility, the 11 board may exclude from the accounts of the public utility any 12 unreasonable payment or compensation made pursuant to any 13 contract or arrangement which that is not required to be filed 14 under this subsection. 15 DIVISION III CABLE OR VIDEO SERVICE 16 Sec. 6. Section 474.1, subsection 4, Code 2024, is amended 17 18 to read as follows: 4. As used in this chapter and chapters 475A, 476, 476A, 19 20 477A, 477C, 478, 479, 479A, and 479B, "board" and "utilities 21 board" mean the Iowa utilities board. 22 Sec. 7. Section 477A.1, Code 2024, is amended by adding the 23 following new subsections: 24 NEW SUBSECTION. 2A. "Cable or video service" includes the 25 terms "cable service", "cable system", and "video service". NEW SUBSECTION. 4A. "Competitive cable or video service 26 27 provider "includes the terms "competitive cable service provider" 28 and "competitive video service providers". 29 Sec. 8. Section 477A.1, subsection 7, Code 2024, is amended 30 to read as follows: 7. "Franchise" means an initial authorization, or renewal 31 32 of an authorization, issued by the board or a municipality, 33 regardless of whether the authorization is designated as a 34 franchise, permit, license, resolution, contract, certificate, 35 agreement, or otherwise, that authorizes the construction and

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1 operation of a cable system person to erect, maintain, and 2 operate plants and systems for the provision of a cable or 3 video service provider's network in a public right-of-way. 4 Sec. 9. Section 477A.1, subsection 9, paragraph a, Code 5 2024, is amended to read as follows:

6 a. "Gross revenues" means all consideration of any kind or 7 nature, including but not limited to cash, credits, property, 8 and in-kind contributions, received from subscribers for the 9 provision of cable service over a cable system by a competitive 10 cable service provider or for the provision of <u>or</u> video service 11 by a competitive <u>cable or</u> video service provider within a 12 municipality's jurisdiction. Gross revenues are limited to the 13 following:

14 (1) Recurring charges for cable service or video service.
15 (2) Event-based charges for cable service or video service,
16 including but not limited to pay-per-view and video-on-demand
17 charges.

18 (3) Rental of set-top boxes and other cable service or video 19 service equipment.

20 (4) Service charges related to the provision of cable
21 service or video service, including but not limited to
22 activation, installation, and repair charges.

23 (5) Administrative charges related to the provision of
24 cable service or video service, including but not limited to
25 service order and service termination charges.

(6) A pro rata portion of all revenue derived, less refunds, rebates, or discounts, by a cable service provider or a video service provider for advertising over the cable service or video service network to subscribers within the franchise area where the numerator is the number of subscribers within the franchise area, and the denominator is the total number of subscribers reached by such advertising. This subparagraph applies only to municipalities that include this provision in their franchise agreements as of January 1, 2007.

35 Sec. 10. Section 477A.1, subsection 9, paragraph b,

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1 subparagraphs (2), (4), (5), (6), (7), (8), (9), and (11), Code
2 2024, are amended to read as follows:

3 (2) Revenues received by any affiliate or any other person 4 in exchange for supplying goods or services used by the person 5 providing cable service or video service.

(4) Regardless of whether the services are bundled,
7 packaged, or functionally integrated with cable service
8 or video service, any revenues derived by the holder of
9 a certificate of franchise authority from services not
10 classified as cable service or video service, including,
11 without limitation, revenue received from telecommunications
12 services, revenue received from information services, revenue
13 received in connection with home-shopping services, or any
14 other revenues attributed by the competitive cable service
15 provider or competitive video service provider to noncable
16 service or nonvideo service in accordance with the holder's
17 books and records kept in the regular course of business and
18 any applicable rules, regulations, standards, or orders.

19 (5) Revenues paid by subscribers to home-shopping 20 programmers directly from the sale of merchandise through any 21 home-shopping channel offered as part of the cable services or 22 video services.

(6) Revenues from the sale of cable services or video
services for resale in which the purchaser is required to
collect the franchise fee from the purchaser's customer.
(7) Revenues from any tax of general applicability imposed
upon the competitive cable service provider or competitive
video service provider or upon subscribers by a city, state,
federal, or any other governmental entity and required to
be collected by the competitive cable service provider or
competitive video service provider and remitted to the taxing
entity, including but not limited to sales or use tax, gross
receipts tax, excise tax, utility users tax, public service
tax, and communication taxes, and including the franchise fee

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(8) Revenues forgone from the provision of cable services
 2 or video services to public institutions, public schools, or
 3 governmental entities at no charge.

4 (9) Revenues forgone from the competitive cable service
5 provider's or competitive video service provider's provision of
6 free or reduced-cost video service to any person, including,
7 without limitation, any municipality and other public
8 institutions or other institutions.

9 (11) Revenues from reimbursements by programmers of 10 marketing costs incurred by the competitive cable service 11 provider or competitive video service provider for the 12 introduction or promotion of new programming.

13 Sec. 11. Section 477A.2, Code 2024, is amended to read as 14 follows:

15 477A.2 Certificate of franchise authority requirement.
16 1. After July 1, 2007, a person providing cable service
17 or video service in this state shall not provide such service
18 without a franchise. The franchise may be issued by either the
19 board pursuant to section 477A.3 or by a municipality pursuant
20 to section 364.2.

21 2. *a.* A person providing cable service or video service 22 under a franchise agreement with a municipality prior to July 23 1, 2007, is not subject to this section with respect to such 24 municipality until the franchise agreement expires or is 25 converted pursuant to subsection 6.

b. Upon expiration of a franchise, a person may choose to renegotiate a franchise agreement with a municipality or may choose to obtain a certificate of franchise authority under this chapter. An application for a certificate of franchise authority pursuant to this subsection may be filed within sixty days prior to the expiration of a municipal franchise agreement. A certificate of franchise authority obtained pursuant to an application filed prior to the expiration of a municipal franchise agreement shall take effect upon the sexpiration date of the municipal franchise agreement.

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c. A municipal utility that provides cable service or
 video service in this state is not subject to this section and
 shall not be required to obtain a certificate of franchise
 authority pursuant to this chapter in the municipality in
 which the provision of cable service or video service by that
 municipality was originally approved.

7 3. For purposes of this section, a person providing 8 cable service or video service is deemed to have executed a 9 franchise agreement to provide cable service or video service 10 with a specific municipality if an affiliate or predecessor 11 of the person providing cable service or video service has 12 or had executed an unexpired franchise agreement with that 13 municipality as of May 29, 2007.

4. A competitive cable service provider or competitive 15 video service provider shall provide at least thirty days' 16 notice to each municipality with authority to grant a franchise 17 in the service area, and to the incumbent cable <u>or video</u> 18 provider, in which the competitive cable service provider or 19 competitive video service provider is granted authority to 20 provide service under a certificate of franchise authority that 21 the competitive cable service provider or competitive video 22 service provider will offer cable services or video services 23 within the jurisdiction of the municipality, and shall not 24 provide service without having provided such thirty days' 25 notice. A copy of the notice shall be filed with the board on 26 the date that the notice is provided. All notices required by 27 this subsection shall be sent by certified mail.

5. As used in this section, "affiliate" includes but is not limited to a person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with a person receiving, obtaining, or operating under a franchise agreement with a municipality to provide cable service or video service through merger, sale, assignment, restructuring, or any other type of transaction. If a competitive cable service provider or a competitive

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1 video service provider applies for a certificate of franchise 2 authority to operate within a municipality, the incumbent 3 cable provider may, at its discretion, apply for a certificate 4 of franchise authority for that same municipality. Such 5 application shall be automatically granted on the same day 6 as a competitive cable service provider or competitive video 7 service provider files a thirty days' notice of offering 8 service as required pursuant to subsection 4. The franchise 9 agreement with the municipality is terminated on the date the 10 board issues the certificate of franchise authority to an 11 incumbent cable provider. The terms and conditions of the 12 certificate of franchise authority shall be the same as the 13 terms and conditions of a competitive cable service provider or 14 a competitive video service provider pursuant to this chapter 15 and shall replace the terms and conditions of the franchise 16 agreement previously granted by the municipality.

17 Sec. 12. Section 477A.3, subsection 1, paragraphs a, c, d, 18 and f, Code 2024, are amended to read as follows:

19 a. That the applicant has filed or will timely file with 20 the federal communications commission all forms required by 21 the commission in advance of offering cable service or video 22 service in this state.

23 c. That the applicant agrees to comply with all applicable 24 state laws and nondiscriminatory municipal ordinances and 25 regulations regarding the use and occupation of a public 26 right-of-way in the delivery of the cable service or video 27 service, to the extent consistent with this chapter, including 28 the police powers of the municipalities in which the service 29 is delivered.

30 *d*. A description of the service area to be served and the 31 municipalities to be served by the applicant, which may include 32 certain designations of unincorporated areas. This description 33 shall be updated by the applicant prior to the expansion of 34 cable service or video service to a previously undesignated 35 service area and, upon such expansion, notice shall be given to

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1 the board of the service area to be served by the applicant.

f. Documentation that the applicant possesses sufficient managerial, technical, and financial capability to provide the cable service or video service proposed in the service area.

5 Sec. 13. Section 477A.3, subsection 1, paragraph g, Code 6 2024, is amended by striking the paragraph.

7 Sec. 14. Section 477A.3, subsections 5 and 9, Code 2024, are 8 amended to read as follows:

9 5. The certificate of franchise authority issued by the 10 board shall contain all of the following:

11 a. A grant of authority to provide cable service or video
12 service in the service area designated in the application.
13 b. A grant of authority to use and occupy the public
14 right-of-way in the delivery for the purpose of erecting,
15 maintaining, and operating plants and systems for the provision
16 of cable service or video service, subject to the laws of this
17 state, including the police powers of the municipalities in
18 which the service is delivered.

19 c. A statement that the grant of authority provided by the 20 certificate is subject to the lawful operation of the cable 21 service or video service by the applicant or the applicant's 22 successor.

23 d. A statement that the franchise is for a term of ten
24 twenty-five years, is renewable under the terms of this
25 section, and is nonexclusive.

9. The certificate of franchise authority issued by the board may be terminated by a person providing cable service or video service by submitting written notice to the board and any affected municipality. Neither the board nor an affected municipality shall have authority to review or require approval of such termination.

32 Sec. 15. Section 477A.3, subsection 6, paragraph a, Code 33 2024, is amended to read as follows:

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34 a. If the holder of a certificate of franchise authority35 fails to commence operation of a cable system or video service

1 network within twelve months from the date the application is 2 granted, the board may determine that the applicant is not in 3 compliance with the certificate of franchise authority and may 4 revoke the certificate.

5 Sec. 16. Section 477A.3, subsection 7, paragraph a, Code 6 2024, is amended to read as follows:

7 a. In the event that an applicant granted a certificate 8 of franchise authority subsequently ceases to engage in 9 construction or operation of a cable system or video service 10 network and is no longer providing service, the applicant 11 shall notify the municipality, the board, and the incumbent 12 cable provider on the date that construction or service is 13 terminated.

14 Sec. 17. Section 477A.4, Code 2024, is amended to read as 15 follows:

16 477A.4 Applicability to federal law.

To the extent required by applicable law, a certificate of franchise authority issued under this chapter shall constitute a "franchise" for the purposes of 47 U.S.C. §541(b)(1). To the extent required for the purposes of 47 U.S.C. §521 -561, only the state of Iowa shall constitute the exclusive franchising authority for competitive cable service providers and competitive video service providers in this state.

24 Sec. 18. Section 477A.6, subsections 1 and 2, Code 2024, are 25 amended to read as follows:

1. Not later than one hundred eighty days after a request by a municipality in which a competitive cable service provider or a competitive video service provider is providing cable service or video service, the holder of the certificate of authority for that municipality shall designate a sufficient amount of capacity on the certificate holder's communications network to allow the provision of a comparable number of public, educational, and governmental channels that the incumbent cable provider in the municipality has activated and provided in the municipality under the terms of a franchise agreement with a

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1 municipality prior to July 1, 2007. If no such channels are 2 active, the municipality may request a maximum of three public, 3 educational, and governmental channels for a municipality 4 with a population of at least fifty thousand, and a maximum 5 of two public, educational, and governmental channels for a 6 municipality with a population of less than fifty thousand. The public, educational, and governmental content to 7 а. 8 be provided pursuant to this section and the operation of 9 the public, educational, and governmental channels shall be 10 the responsibility of the municipality receiving the benefit ll of such capacity. The holder of a certificate of franchise 12 authority shall be responsible only for the transmission of 13 such content, subject to technological restraints. b. The municipality receiving capacity under this section 14 15 shall ensure that all transmissions, content, or programming to 16 be transmitted by the holder of the certificate of franchise 17 authority are provided or submitted to the competitive 18 cable service provider or competitive video service provider 19 in a manner or form that is capable of being accepted and 20 transmitted by the competitive cable service provider or 21 competitive video service provider, without requirement for 22 additional alteration or change in the content, over the 23 particular network of the competitive cable service provider 24 or competitive video service provider, which is compatible 25 with the technology or protocol utilized by the competitive 26 cable service provider or competitive video service provider 27 to deliver services. At its election the municipality may 28 reasonably request any cable service provider or video service 29 provider to make any necessary change to the form of any 30 programming, furnished for transmission, which shall be charged 31 to the municipality, not to exceed the provider's incremental 32 costs. The municipality shall have up to twelve months to 33 reimburse the cable service provider or video service provider. 34 The provision of such transmissions, content, or programming 35 to the competitive cable service provider or competitive video

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service provider shall constitute authorization for such
 holder to carry such transmissions, content, or programming,
 at the holder's option, beyond the jurisdictional boundaries
 stipulated in any franchise agreement.

5 2. Where technically feasible, a competitive cable service 6 provider or competitive video service provider that is a holder 7 of a certificate of franchise authority and an incumbent 8 cable provider shall use reasonable efforts to interconnect 9 the cable or video communications network systems of the 10 certificate holder and incumbent cable provider for the purpose 11 of providing public, educational, and governmental programming. 12 Interconnection may be accomplished by direct cable, microwave 13 link, satellite, or other reasonable method of connection. A 14 holder of a certificate of franchise authority and an incumbent 15 cable provider shall negotiate in good faith and an incumbent 16 cable provider shall not withhold interconnection of public, 17 educational, or governmental channels.

18 Sec. 19. Section 477A.7, subsections 1 and 3, Code 2024, are
19 amended to read as follows:

20 1. *a.* In any service area in which a competitive cable 21 service provider or a competitive video service provider 22 holding a certificate of franchise authority offers or provides 23 cable service or video service, the competitive cable service 24 provider or competitive video service provider shall calculate 25 and pay a franchise fee to the municipality with authority to 26 grant a certificate of franchise authority in that service area 27 upon the municipality's written request. If the municipality 28 makes such a request, the franchise fee shall be due and paid 29 to the municipality on a quarterly basis, not later than 30 forty-five days after the close of the quarter, and shall be 31 calculated as a percentage of gross revenues. The municipality 32 shall not demand any additional franchise fees from the 33 competitive cable service provider or competitive video service 34 provider, and shall not demand the use of any other calculation 35 method for the franchise fee.

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b. All cable service providers and video service providers shall pay a franchise fee at the same percent of gross revenues as had been assessed on the incumbent cable provider by the municipality as of January 1, 2007, and such percentage shall continue to apply for the period of the remaining term of the existing franchise agreement with the municipality. Upon revpiration of the period of the remaining term of the agreement with the incumbent cable service provider, a municipality may request an increase in the franchise fee up to five percent of gross revenues.

c. A provider who is both a competitive cable service 11 12 provider and a competitive video service provider shall be 13 subject to and only be required to pay one franchise fee to a 14 municipality under this subsection regardless of whether the 15 provider provides both cable service and video service. 16 d. At the request of a municipality and not more than once 17 per year, an independent auditor may perform reasonable audits 18 of the competitive cable service provider's or competitive 19 video service provider's calculation of the franchise fee under 20 this subsection. The municipality shall bear the costs of 21 any audit requested pursuant to this subsection, unless the 22 audit discloses that the competitive cable service provider or 23 competitive video service provider has underpaid franchise fees 24 by more than five percent, in which case the competitive cable 25 service provider or competitive video service provider shall 26 pay all of the reasonable and actual costs of the audit. 27 e. A competitive cable service provider or competitive video 28 service provider may identify and collect the amount of the 29 franchise fee as a separate line item on the regular bill of 30 each subscriber.

31 3. *a.* If an incumbent cable provider is required by 32 a franchise agreement as of January 1, 2007, to provide 33 institutional network capacity to a municipality for use by 34 the municipality for noncommercial purposes, the incumbent 35 cable provider and any subsequent holder of a certificate of

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1 franchise authority shall provide support only for the existing 2 institutional network on a pro rata basis per customer. Any 3 financial support provided for an institutional network shall 4 be limited to ongoing maintenance and support of the existing 5 institutional network. This subsection shall be applicable 6 only to a cable service provider's or video service provider's 7 first certificate of franchise authority issued under this 8 chapter, and shall not apply to any subsequent renewals. For 9 the purposes of this subsection, maintenance and support shall 10 only include the reasonable incremental cost of moves, changes, 11 and restoring connectivity of the fiber or coaxial cable lines 12 up to a demarcation point at the building.

b. For purposes of this subsection, the number of customers 13 14 of a cable service provider or video service provider shall 15 be determined based on the relative number of subscribers in 16 that municipality at the end of the prior calendar year as 17 reported to the municipality by all incumbent cable providers 18 and holders of a certificate of franchise authority. Any 19 records showing the number of subscribers shall be considered 20 confidential records pursuant to section 22.7. The incumbent 21 cable provider shall provide to the municipality, on an annual 22 basis, the maintenance and support costs of the institutional 23 network, subject to an independent audit. A municipality 24 acting under this subsection shall notify and present a bill 25 to competitive cable service providers or competitive video 26 service providers for the amount of such support on an annual 27 basis, beginning one year after issuance of the certificate of 28 franchise authority. The annual institutional network support 29 shall be due and paid by the providers to the municipality in 30 four quarterly payments, not later than forty-five days after 31 the close of each quarter. The municipality shall reimburse 32 the incumbent cable provider for the amounts received from 33 competitive cable service providers or competitive video 34 service providers.

35 c. This subsection shall not apply if the incumbent

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1 cable service provider is a municipal utility providing
2 telecommunications services under section 388.10.

3 Sec. 20. Section 477A.10, subsection 2, Code 2024, is 4 amended to read as follows:

2. A competitive cable service provider or competitive
video service provider holding a certificate of franchise
authority shall not deny access to any group of potential
residential subscribers because of the income of residents in
the local area in which such group resides.

Sec. 21. Section 477A.10, subsection 3, paragraph a, subparagraph (3), Code 2024, is amended to read as follows: (3) These dwelling units do not have cable or video service available from another cable service provider or video service provider.

15 Sec. 22. Section 477A.10, subsection 3, paragraph b, Code 16 2024, is amended to read as follows:

b. This subsection shall be applicable only after the first date on which the video service provider operating under a certificate of franchise authority is providing cable service or video service to more than fifty percent of all cable and video subscribers receiving cable or video service from the holders of certificates of franchise authority and any other providers of cable or video services operating under franchise agreements with a municipality.

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