



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB0075

Introduced 1/13/2025, by Sen. Laura M. Murphy

SYNOPSIS AS INTRODUCED:

220 ILCS 5/9-210.5
220 ILCS 5/9-220.2

Amends the Public Utilities Act. Provides that 20% of the lesser of (rather than the lesser of): (i) the purchase price or (ii) the fair market value shall constitute the rate base associated with the water or sewer utility as acquired by and incorporated into the rate base of the district designated by the acquiring large public utility, subject to any adjustments that the Illinois Commerce Commission deems necessary to ensure such rate base reflects prudent and useful investments in the provision of public utility service. Provides that the difference between the rate base and the purchase price or fair market value shall be borne by the shareholders of the acquiring large public utility. In provisions concerning the acquisition of a water or sewer utility, provides that, at the next election following the public meeting and notice requirements, a referendum shall be placed on the ballot for all electors within the area the water or sewer utility operates. Provides that, if a majority of the electors voting on the referendum within the service area of the water or sewer utility vote in favor of the referendum, then the acquisition may continue. Provides that, if less than a majority of the electors voting on the referendum within the service area of the water or sewer utility vote in favor of the referendum, the Commission shall not approve the large public utility's acquisition of the water or sewer utility. Removes a provision that provides that the Commission may authorize a water or sewer utility to file a surcharge which adjusts rates and charges to provide for recovery of costs associated with an investment in qualifying infrastructure plant, independent of any other matters related to the utility's revenue requirement. Makes other changes.

LRB104 08184 AAS 18234 b

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Public Utilities Act is amended by changing
5 Sections 9-210.5 and 9-220.2 as follows:

6 (220 ILCS 5/9-210.5)

7 (Section scheduled to be repealed on June 1, 2028)

8 Sec. 9-210.5. Valuation of water and sewer utilities.

9 (a) In this Section:

10 "Disinterested" means that the person directly
11 involved (1) is not a director, officer, or an employee of
12 the large public utility or the water or sewer utility or
13 its direct affiliates or subsidiaries for at least 12
14 months before becoming engaged under this Section; (2)
15 shall not derive a material financial benefit from the
16 sale of the water or sewer utility other than fees for
17 services rendered, and (3) shall not have a member of the
18 person's immediate family, including a spouse, parents or
19 spouse's parents, children or spouses of children, or
20 siblings and their spouses or children, be a director,
21 officer, or employee of either the large public utility or
22 water or sewer utility or the water or sewer utility or its
23 direct affiliates or subsidiaries for at least 12 months

1 before becoming engaged under this Section or receive a
2 material financial benefit from the sale of the water or
3 sewer utility other than fees for services rendered.

4 "District" means a service area of a large public
5 utility whose customers are subject to the same rate
6 tariff.

7 "Large public utility" means an investor-owned public
8 utility that:

9 (1) is subject to regulation by the Illinois
10 Commerce Commission under this Act;

11 (2) regularly provides water or sewer service to
12 more than 15,000 customer connections;

13 (3) provides safe and adequate service; and

14 (4) is not a water or sewer utility as defined in
15 this subsection (a).

16 "Next rate case" means a large public utility's first
17 general rate case after the date the large public utility
18 acquires the water or sewer utility where the acquired
19 water or sewer utility's cost of service is considered as
20 part of determining the large public utility's resulting
21 rates.

22 "Prior rate case" means a large public utility's
23 general rate case resulting in the rates in effect for the
24 large public utility at the time it acquires the water or
25 sewer utility.

26 "Utility service source" means the water or sewer

1 utility or large public utility from which the customer
2 receives its utility service type.

3 "Utility service type" means water utility service or
4 sewer utility service or water and sewer utility service.

5 "Water or sewer utility" means any of the following:

6 (1) a public utility that regularly provides water
7 or sewer service to 6,000 or fewer customer
8 connections;

9 (2) a water district, including, but not limited
10 to, a public water district, water service district,
11 or surface water protection district, or a sewer
12 district of any kind established as a special district
13 under the laws of this State that regularly provides
14 water or sewer service;

15 (3) a waterworks system or sewerage system
16 established under the Township Code that regularly
17 provides water or sewer service; or

18 (4) a water system or sewer system owned by a
19 municipality that regularly provides water or sewer
20 service; and

21 (5) any other entity that is not a public utility
22 that regularly provides water or sewer service.

23 (b) Notwithstanding any other provision of this Act, a
24 large public utility that acquires a water or sewer utility
25 may request that the Commission use, and, if so requested, the
26 Commission shall use, the procedures set forth under this

1 Section to establish the ratemaking rate base of that water or
2 sewer utility at the time when it is acquired by the large
3 public utility.

4 (c) If a large public utility elects the procedures under
5 this Section to establish the rate base of a water or sewer
6 utility that it is acquiring, then 3 appraisals shall be
7 performed. The average of these 3 appraisals shall represent
8 the fair market value of the water or sewer utility that is
9 being acquired. The appraisals shall be performed by 3
10 appraisers approved by the Commission's Executive Director or
11 designee and engaged by either the water or sewer utility
12 being acquired or by the large public utility. Each appraiser
13 shall be engaged on reasonable terms approved by the
14 Commission. Each appraiser shall be a disinterested person
15 licensed as a State certified general real estate appraiser
16 under the Real Estate Appraiser Licensing Act of 2002.

17 Each appraiser shall:

18 (1) be sworn to determine the fair market value of the
19 water or sewer utility by establishing the amount for
20 which the water or sewer utility would be sold in a
21 voluntary transaction between a willing buyer and willing
22 seller under no obligation to buy or sell;

23 (2) determine fair market value in compliance with the
24 Uniform Standards of Professional Appraisal Practice;

25 (3) engage one disinterested engineer who is licensed
26 in this State, and who may be the same engineer that is

1 engaged by the other appraisers, to prepare an assessment
2 of the tangible assets of the water or sewer utility,
3 which is to be incorporated into the appraisal under the
4 cost approach;

5 (4) request from the manager of the Accounting
6 Department, if the water or sewer utility is a public
7 utility that is regulated by the Commission, a list of
8 investments made by the water or sewer utility that had
9 been disallowed previously and that shall be excluded from
10 the calculation of the large public utility's rate base in
11 its next rate case; and

12 (5) return their appraisal, in writing, to the water
13 or sewer utility and large public utility in a reasonable
14 and timely manner.

15 If the appraiser cannot engage an engineer, as described
16 in paragraph (3) of this subsection (c), within 30 days after
17 the appraiser is engaged, then the Commission's Executive
18 Director or designee shall recommend the engineer the
19 appraiser should engage. The Commission's Executive Director
20 or designee shall provide his or her recommendation within 30
21 days after he or she is officially notified of the appraiser's
22 failure to engage an engineer and the appraiser shall promptly
23 work to engage the recommended engineer. If the appraiser is
24 unable to negotiate reasonable engagement terms with the
25 recommended engineer within 15 days after the recommendation
26 by the Commission's Executive Director or designee, then the

1 appraiser shall notify the Commission's Executive Director or
2 designee and the process shall be repeated until an engineer
3 is successfully engaged.

4 (d) Twenty percent of the ~~The~~ lesser of (i) the purchase
5 price or (ii) the fair market value determined under
6 subsection (c) of this Section shall constitute the rate base
7 associated with the water or sewer utility as acquired by and
8 incorporated into the rate base of the district designated by
9 the acquiring large public utility under this Section, subject
10 to any adjustments that the Commission deems necessary to
11 ensure such rate base reflects prudent and useful investments
12 in the provision of public utility service. The difference
13 between the rate base and the purchase price or fair market
14 value shall be borne by the shareholders of the acquiring
15 large public utility. The reasonable transaction and closing
16 costs incurred by the large public utility shall be treated
17 consistent with the applicable accounting standards under this
18 Act. The total amount of all of the appraisers' fees to be
19 included in the transaction and closing costs shall not exceed
20 the greater of \$15,000 or 5% of the appraised value of the
21 water or sewer utility being acquired. This rate base
22 treatment shall not be deemed to violate this Act, including,
23 but not limited to, any Sections in Articles VIII and IX of
24 this Act that might be affected by this Section, provided that
25 only 20% of the transaction and closing costs are included in
26 the rate base. Any acquisition of a water or sewer utility that

1 affects the cumulative base rates of the large public
2 utility's existing ratepayers in the tariff group into which
3 the water or sewer utility is to be combined by less than (1)
4 2.5% at the time of the acquisition for any single acquisition
5 completed under this Section or (2) 5% for all acquisitions
6 completed under this Section before the Commission's final
7 order in the next rate case shall not be deemed to violate
8 Section 7-204 or any other provision of this Act.

9 In the Commission's order that approves the large public
10 utility's acquisition of the water or sewer utility, the
11 Commission shall issue its decision establishing (1) the
12 ratemaking rate base of the water or sewer utility; (2) the
13 district or tariff group with which the water or sewer utility
14 shall be combined for ratemaking purposes, if such combination
15 has been proposed by the large public utility; and (3) the
16 rates to be charged to customers in the water or sewer utility.

17 (e) If the water or sewer utility being acquired is owned
18 by the State or any political subdivision thereof, then the
19 water or sewer utility must inform the public of the terms of
20 its acquisition by the large public utility by (1) holding a
21 public meeting prior to the acquisition and (2) causing to be
22 published, in a newspaper of general circulation in the area
23 that the water or sewer utility operates, a notice setting
24 forth the terms of its acquisition by the large public utility
25 and options that shall be available to assist customers to pay
26 their bills after the acquisition.

1 At the next election following the public meeting and
2 notice required by this subsection, a referendum, subject to
3 the requirements of Section 16-7 of the Election Code, shall
4 be placed on the ballot for all electors within the area the
5 water or sewer utility operates in substantially the following
6 form:

7 May the (name of large public utility) acquire the
8 (name of water or sewer utility) under the terms of
9 acquisition published in (name of newspaper) on (date)?

10 The votes shall be recorded as "Yes" or "No".

11 If a majority of the electors voting on the referendum
12 within the service area of the water or sewer utility vote in
13 favor of the referendum, then the acquisition may continue as
14 provided in this Section. If less than a majority of the
15 electors voting on the referendum within the service area of
16 the water or sewer utility vote in favor of the referendum, the
17 Commission shall not approve the large public utility's
18 acquisition of the water or sewer utility.

19 (f) The large public utility may recommend the district or
20 tariff group of which the water or sewer utility shall, for
21 ratemaking purposes, become a part after the acquisition, or
22 may recommend a lesser rate for the water or sewer utility. If
23 the large public utility recommends a lesser rate, it shall
24 submit to the Commission its proposed rate schedule and the
25 proposed final tariff group for the acquired water or sewer
26 utility. The Commission's approved district or tariff group or

1 rates shall be consistent with the large public utility's
2 recommendation, unless such recommendation can be shown to be
3 contrary to the public interest.

4 (g) From the date of acquisition until the date that new
5 rates are effective in the acquiring large public utility's
6 next rate case, the customers of the acquired water or sewer
7 utility shall pay the approved then-existing rates of the
8 district or tariff group as ordered by the Commission, or some
9 lesser rates as recommended by the large public utility and
10 approved by the Commission under subsection (f); provided,
11 that, if the application of such rates of the large public
12 utility to customers of the acquired water or sewer utility
13 using 54,000 gallons annually results in an increase to the
14 total annual bill of customers of the acquired water or sewer
15 utility, exclusive of fire service or related charges, then
16 the large public utility's rates charged to the customers of
17 the acquired water or sewer utility shall be uniformly
18 reduced, if any reduction is required, by the percent that
19 results in the total annual bill, exclusive of fire services
20 or related charges, for the customers of the acquired water or
21 sewer utility using 54,000 gallons being equal to 1.5% of the
22 latest median household income as reported by the United
23 States Census Bureau for the most applicable community or
24 county. For each customer of the water or sewer utility with
25 potable water usage values that cannot be reasonably obtained,
26 a value of 4,500 gallons per month shall be assigned. These

1 rates shall not be deemed to violate this Act including, but
2 not limited to, Section 9-101 and any other applicable
3 Sections in Articles VIII and IX of this Act. The Commission
4 shall issue its decision establishing the rates effective for
5 the water or sewer utility immediately following an
6 acquisition in its order approving the acquisition.

7 (h) In the acquiring large public utility's next rate
8 case, the water or sewer utility and the district or tariff
9 group ordered by the Commission and their costs of service may
10 be combined under the same rate tariff. This rate tariff shall
11 be based on allocation of costs of service of the acquired
12 water or sewer utility and the large public utility's district
13 or tariff group ordered by the Commission and utilizing a rate
14 design that does not distinguish among customers on the basis
15 of utility service source or type. This rate tariff shall not
16 be deemed to violate this Act including, but not limited to,
17 Section 9-101 of this Act. In the acquiring large public
18 utility's 2 rate cases after an acquisition, but in no
19 subsequent rate case, the large public utility may file a rate
20 tariff for a water or sewer utility acquired under this
21 Section that establishes lesser rates than the district or
22 tariff group into which the water or sewer utility is to be
23 combined. Those lesser rates shall not be deemed to violate
24 Section 7-204 or any other provision of this Act if they affect
25 the cumulative base rates of the large public utility's
26 existing rate payers in the district or tariff by less than

1 2.5%.

2 (i) Any post-acquisition improvements made by the large
3 public utility in the water or sewer utility shall accrue a
4 cost for financing set at the large public utility's
5 determined rate for allowance for funds used during
6 construction, inclusive of the debt, equity, and income tax
7 gross up components, after the date on which the expenditure
8 was incurred by the large public utility until the investment
9 has been in service for a 4-year period or, if sooner, until
10 the time the rates are implemented in the large public
11 utility's next rate case.

12 Any post-acquisition improvements made by the large public
13 utility in the water or sewer utility shall not be depreciated
14 for ratemaking purposes from the date on which the expenditure
15 was incurred by the large public utility until the investment
16 has been in service for a 4-year period or, if sooner, until
17 the time the rates are implemented in the large public
18 utility's next rate case.

19 (j) This Section shall be exclusively applied to large
20 public utilities in the voluntary and mutually agreeable
21 acquisition of water or sewer utilities. Any petitions filed
22 with the Commission related to the acquisitions described in
23 this Section, including petitions seeking approvals or
24 certificates required by this Act, shall be deemed approved
25 unless the Commission issues its final order within 11 months
26 after the date the large public utility filed its initial

1 petition. This Section shall only apply to utilities providing
2 water or sewer service and shall not be construed in any manner
3 to apply to electric corporations, natural gas corporations,
4 or any other utility subject to this Act.

5 (k) Nothing in this Section shall prohibit a party from
6 declining to proceed with an acquisition or be deemed as
7 establishing the final purchase price of an acquisition.

8 (l) In the Commission's order that approves the large
9 utility's acquisition of the water or sewer utility, the
10 Commission shall address each aspect of the acquisition
11 transaction for which approval is required under the Act.

12 (m) Any contractor or subcontractor that performs work on
13 a water or sewer utility acquired by a large public utility
14 under this Section shall be a responsible bidder as described
15 in Section 30-22 of the Illinois Procurement Code. The
16 contractor or subcontractor shall submit evidence of meeting
17 the requirements to be a responsible bidder as described in
18 Section 30-22 to the water or sewer utility. Any new water or
19 sewer facility built as a result of the acquisition shall
20 require the contractor to enter into a project labor
21 agreement. The large public utility acquiring the water or
22 sewer utility shall offer employee positions to qualified
23 employees of the acquired water or sewer utility.

24 (n) This Section is repealed on June 1, 2028.

25 (Source: P.A. 102-149, eff. 1-1-22.)

1 (220 ILCS 5/9-220.2)

2 Sec. 9-220.2. Water and sewer surcharges authorized.

3 (a) The Commission may authorize a water or sewer utility
4 to file a surcharge which adjusts rates and charges to provide
5 for recovery of (i) the cost of purchased water, (ii) the cost
6 of purchased sewage treatment service, or (iii) other costs
7 which fluctuate for reasons beyond the utility's control or
8 are difficult to predict, ~~or (iv) costs associated with an~~
9 ~~investment in qualifying infrastructure plant, independent of~~
10 ~~any other matters related to the utility's revenue~~
11 ~~requirement.~~ A surcharge approved under this Section can
12 operate on an historical or a prospective basis.

13 (b) (Blank). ~~For purposes of this Section, "costs~~
14 ~~associated with an investment in qualifying infrastructure~~
15 ~~plant" include a return on the investment in and depreciation~~
16 ~~expense related to plant items or facilities (including, but~~
17 ~~not limited to, replacement mains, meters, services, and~~
18 ~~hydrants) which (i) are not reflected in the rate base used to~~
19 ~~establish the utility's base rates and (ii) are non revenue~~
20 ~~producing. For purposes of this Section, a "non revenue~~
21 ~~producing facility" is one that is not constructed or~~
22 ~~installed for the purpose of serving a new customer.~~

23 (c) On a periodic basis, the Commission shall initiate
24 hearings to reconcile amounts collected under each surcharge
25 authorized pursuant to this Section with the actual prudently
26 incurred costs recoverable for each annual period during which

1 the surcharge was in effect.

2 (Source: P.A. 91-638, eff. 1-1-00.)