



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB4983

by Rep. Jay Hoffman

SYNOPSIS AS INTRODUCED:

220 ILCS 5/9-210.5
220 ILCS 5/9-210.7 new

Amends the Public Utilities Act. In provisions concerning the valuation of water and sewer utilities, provides that a large public utility that acquires a water or sewer utility may recommend that the large public utility adopt the existing rates of the water or sewer utility. Provides that the contractor or subcontractor shall submit evidence of meeting the requirements to be a responsible bidder to the large public utility (rather than water or sewer utility). Provides that the provisions are repealed on June 30, 2038 (rather than June 1, 2028). Provides that a large public utility, in its application to acquire a water or sewer utility or any other application requesting approval of an acquisition of a water or sewer utility, may request that the Illinois Commerce Commission expedite its review and issue an order within an expedited timeframe. Provides that, if, in its application, a large public utility requests an expedited review, the Commission shall issue a ruling approving or denying expedited review within 30 days of the filing of the application if the large public utility provides ample evidence supporting the need for expedited review. Provides that the large public utility, in its application, shall establish evidence that the expedited review is necessary which may include certain factors. Provides that, upon granting expedited review, and subject to the Commission's rules on interlocutory review, the Commission shall issue its final order no later than 5 months after the date the expedited review was granted. Makes other changes. Effective immediately.

LRB104 16142 AAS 29505 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 Section 9-210.5 and by adding Section 9-210.7 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7 (Section scheduled to be repealed on June 1, 2028)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) The lesser of (i) the purchase price or (ii) the fair
5 market value determined under subsection (c) of this Section
6 shall constitute the rate base associated with the water or
7 sewer utility as acquired by and incorporated into the rate
8 base of the district designated by the acquiring large public
9 utility under this Section, subject to any adjustments that
10 the Commission deems necessary to ensure such rate base
11 reflects prudent and useful investments in the provision of
12 public utility service. The reasonable transaction and closing
13 costs incurred by the large public utility shall be treated
14 consistent with the applicable accounting standards under this
15 Act. The total amount of all of the appraisers' fees to be
16 included in the transaction and closing costs shall not exceed
17 the greater of \$15,000 or 5% of the appraised value of the
18 water or sewer utility being acquired. This rate base
19 treatment shall not be deemed to violate this Act, including,
20 but not limited to, any Sections in Articles VIII and IX of
21 this Act that might be affected by this Section. Any
22 acquisition of a water or sewer utility that affects the
23 cumulative base rates of the large public utility's existing
24 ratepayers in the tariff group into which the water or sewer
25 utility is to be combined by less than (1) 2.5% at the time of
26 the acquisition for any single acquisition completed under

1 this Section or (2) 5% for all acquisitions completed under
2 this Section before the Commission's final order in the next
3 rate case shall not be deemed to violate Section 7-204 or any
4 other provision of this Act.

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

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

23 (f) The large public utility may recommend the district or
24 tariff group of which the water or sewer utility shall, for
25 ratemaking purposes, become a part after the acquisition, may
26 recommend that the large public utility adopt the existing

1 rates of the water or sewer utility, or may recommend a lesser
2 rate for the water or sewer utility. If the large public
3 utility recommends a lesser rate, it shall submit to the
4 Commission its proposed rate schedule and the proposed final
5 tariff group for the acquired water or sewer utility. The
6 Commission's approved district or tariff group or rates shall
7 be consistent with the large public utility's recommendation,
8 unless such recommendation can be shown to be contrary to the
9 public interest.

10 (g) From the date of acquisition until the date that new
11 rates are effective in the acquiring large public utility's
12 next rate case, the customers of the acquired water or sewer
13 utility shall pay the approved then-existing rates of the
14 district or tariff group as ordered by the Commission, the
15 existing rates of the water or sewer utility as recommended by
16 the large public utility and approved by the Commission under
17 subsection (f), or some lesser rates as recommended by the
18 large public utility and approved by the Commission under
19 subsection (f); provided, that, if the application of such
20 rates of the large public utility to customers of the acquired
21 water or sewer utility using 54,000 gallons annually results
22 in an increase to the total annual bill of customers of the
23 acquired water or sewer utility, exclusive of fire service or
24 related charges, then the large public utility's rates charged
25 to the customers of the acquired water or sewer utility shall
26 be uniformly reduced, if any reduction is required, by the

1 percent that results in the total annual bill, exclusive of
2 fire services or related charges, for the customers of the
3 acquired water or sewer utility using 54,000 gallons being
4 equal to 1.5% of the latest median household income as
5 reported by the United States Census Bureau for the most
6 applicable community or county. For each customer of the water
7 or sewer utility with potable water usage values that cannot
8 be reasonably obtained, a value of 4,500 gallons per month
9 shall be assigned. These rates shall not be deemed to violate
10 this Act including, but not limited to, Section 9-101 and any
11 other applicable Sections in Articles VIII and IX of this Act.
12 The Commission shall issue its decision establishing the rates
13 effective for the water or sewer utility immediately following
14 an acquisition in its order approving the acquisition.

15 (h) In the acquiring large public utility's next rate
16 case, the water or sewer utility and the district or tariff
17 group ordered by the Commission and their costs of service may
18 be combined under the same rate tariff. This rate tariff shall
19 be based on allocation of costs of service of the acquired
20 water or sewer utility and the large public utility's district
21 or tariff group ordered by the Commission and utilizing a rate
22 design that does not distinguish among customers on the basis
23 of utility service source or type. This rate tariff shall not
24 be deemed to violate this Act including, but not limited to,
25 Section 9-101 of this Act. In the acquiring large public
26 utility's 2 rate cases after an acquisition, but in no

1 subsequent rate case, the large public utility may file a rate
2 tariff for a water or sewer utility acquired under this
3 Section that establishes lesser rates than the district or
4 tariff group into which the water or sewer utility is to be
5 combined. Those lesser rates shall not be deemed to violate
6 Section 7-204 or any other provision of this Act if they affect
7 the cumulative base rates of the large public utility's
8 existing rate payers in the district or tariff by less than
9 2.5%.

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

20 Any post-acquisition improvements made by the large public
21 utility in the water or sewer utility shall not be depreciated
22 for ratemaking purposes from the date on which the expenditure
23 was incurred by the large public utility until the investment
24 has been in service for a 4-year period or, if sooner, until
25 the time the rates are implemented in the large public
26 utility's next rate case.

1 (j) This Section shall be exclusively applied to large
2 public utilities in the voluntary and mutually agreeable
3 acquisition of water or sewer utilities. Any petitions filed
4 with the Commission related to the acquisitions described in
5 this Section, including petitions seeking approvals or
6 certificates required by this Act, shall be deemed approved
7 unless the Commission issues its final order within 11 months
8 after the date the large public utility filed its initial
9 petition. This Section shall only apply to utilities providing
10 water or sewer service and shall not be construed in any manner
11 to apply to electric corporations, natural gas corporations,
12 or any other utility subject to this Act.

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

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

20 (m) Any contractor or subcontractor that performs work on
21 a water or sewer utility acquired by a large public utility
22 under this Section shall be a responsible bidder as described
23 in Section 30-22 of the Illinois Procurement Code. The
24 contractor or subcontractor shall submit evidence of meeting
25 the requirements to be a responsible bidder as described in
26 Section 30-22 to the large public ~~water or sewer~~ utility. Any

1 new water or sewer facility built as a result of the
2 acquisition shall require the contractor to enter into a
3 project labor agreement. The large public utility acquiring
4 the water or sewer utility shall offer employee positions to
5 qualified employees of the acquired water or sewer utility.

6 (n) This Section is repealed on June 30, 2038 ~~June 1, 2028~~.
7 (Source: P.A. 102-149, eff. 1-1-22.)

8 (220 ILCS 5/9-210.7 new)

9 Sec. 9-210.7. Expedited review of a water or sewer utility
10 acquisition.

11 (a) As used in this Section, "large public utility" and
12 "water or sewer utility" have the meanings set forth in
13 Section 9-210.5.

14 (b) A large public utility, in its application to acquire
15 a water or sewer utility as described in Section 9-210.5 or any
16 other application requesting approval of an acquisition of a
17 water or sewer utility, may request that the Commission
18 expedite its review and issue an order within an expedited
19 timeframe set forth in subsection (c). If, in its application,
20 a large public utility requests an expedited review, the
21 Commission shall grant an expedited review within 30 days of
22 the filing of the application if the large public utility
23 provides ample evidence supporting the need for expedited
24 review. In support of its request for expedited review, the
25 large public utility, in its application, shall present

1 evidence, which the Commission shall consider, that the
2 expedited review is necessary based upon factors that may
3 include, but are not limited to, the following:

4 (1) the subject water or sewer utility infrastructure
5 is in need of immediate improvements for the health and
6 safety of the customers or residents;

7 (2) the subject water or sewer utility has pending
8 violations with the Illinois Environmental Protection
9 Agency or any other environmental regulatory agency;

10 (3) the number of customers or residents served by the
11 subject water or sewer utility;

12 (4) whether the subject water or sewer utility has
13 made an affirmation to the Commission included in the
14 large public utility's application that the subject water
15 or sewer utility can no longer operate efficiently in
16 order to provide safe and reliable water or sewer service
17 to its customers or residents; and

18 (5) any other evidence in support of the applicant's
19 position that the customers or residents of the subject
20 water or sewer utility are not being provided safe and
21 reliable water or sewer service.

22 (c) Upon granting expedited review as requested under
23 subsection (b), and subject to the Commission's rules on
24 interlocutory review, the Commission shall issue its final
25 order no later than 5 months after the date the expedited
26 review was granted.

1 (d) The Commission may adopt rules to implement this
2 Section.

3 Section 99. Effective date. This Act takes effect upon
4 becoming law.