



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB3889

Introduced 2/6/2026, by Sen. Rachel Ventura

SYNOPSIS AS INTRODUCED:

65 ILCS 5/11-117-13.5 new
220 ILCS 5/9-210.5

Amends the Illinois Municipal Code. Provides that, before the sale of a water system or sewer system owned by a municipality to a private entity, a referendum shall be submitted to the electors of the municipality. Provides that a majority vote authorizing the sale of the water system or sewer system shall be required from the electors of the municipality before the sale or purchase can occur. Amends the Public Utilities Act. In provisions concerning valuation of water and sewer utilities, provides that "water or sewer utility" means any of the following: (1) a public utility that regularly provides water or sewer service to 6,000 or fewer customer connections; (2) a water district, including, but not limited to, a public water district, water service district, or surface water protection district, or a sewer district of any kind established as a special district under the laws of the State that regularly provides water or sewer service to 6,000 or fewer customer connections; (3) a waterworks system or sewerage system established under the Township Code that regularly provides water or sewer service to 6,000 or fewer customer connections; (4) a water system or sewer system owned by a municipality that regularly provides water or sewer service to 6,000 or fewer customer connections; or (5) any other entity that is not a public utility that regularly provides water or sewer service to 6,000 or fewer customer connections. Provides that the provisions are repealed on June 1, 2026 (rather than June 1, 2028). Effective immediately.

LRB104 19411 AAS 32859 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 Illinois Municipal Code is amended by
5 adding Section 11-117-13.5 as follows:

6 (65 ILCS 5/11-117-13.5 new)

7 Sec. 11-117-13.5. Referendum to approve sale of municipal
8 water or sewer system. Except as provided in Section
9 11-117-14, before the sale of a water system or sewer system
10 owned by a municipality to a private entity, a referendum
11 shall be submitted to the electors of the municipality. A
12 majority vote authorizing the sale of the water system or
13 sewer system shall be required from the electors of the
14 municipality before the sale or purchase can occur. This
15 Section applies to a water system or sewer system owned by a
16 municipality that provides service to more than 1,000 customer
17 connections.

18 Section 10. The Public Utilities Act is amended by
19 changing Section 9-210.5 as follows:

20 (220 ILCS 5/9-210.5)

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

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

2 (a) In this Section:

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

20 "District" means a service area of a large public
21 utility whose customers are subject to the same rate
22 tariff.

23 "Large public utility" means an investor-owned public
24 utility that:

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

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

3 (3) provides safe and adequate service; and

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

6 "Next rate case" means a large public utility's first
7 general rate case after the date the large public utility
8 acquires the water or sewer utility where the acquired
9 water or sewer utility's cost of service is considered as
10 part of determining the large public utility's resulting
11 rates.

12 "Prior rate case" means a large public utility's
13 general rate case resulting in the rates in effect for the
14 large public utility at the time it acquires the water or
15 sewer utility.

16 "Utility service source" means the water or sewer
17 utility or large public utility from which the customer
18 receives its utility service type.

19 "Utility service type" means water utility service or
20 sewer utility service or water and sewer utility service.

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

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

25 (2) a water district, including, but not limited
26 to, a public water district, water service district,

1 or surface water protection district, or a sewer
2 district of any kind established as a special district
3 under the laws of this State that regularly provides
4 water or sewer service to 6,000 or fewer customer
5 connections;

6 (3) a waterworks system or sewerage system
7 established under the Township Code that regularly
8 provides water or sewer service to 6,000 or fewer
9 customer connections; ~~or~~

10 (4) a water system or sewer system owned by a
11 municipality that regularly provides water or sewer
12 service to 6,000 or fewer customer connections; or and

13 (5) any other entity that is not a public utility
14 that regularly provides water or sewer service to
15 6,000 or fewer customer connections.

16 (b) Notwithstanding any other provision of this Act, a
17 large public utility that acquires a water or sewer utility
18 may request that the Commission use, and, if so requested, the
19 Commission shall use, the procedures set forth under this
20 Section to establish the ratemaking rate base of that water or
21 sewer utility at the time when it is acquired by the large
22 public utility.

23 (c) If a large public utility elects the procedures under
24 this Section to establish the rate base of a water or sewer
25 utility that it is acquiring, then 3 appraisals shall be
26 performed. The average of these 3 appraisals shall represent

1 the fair market value of the water or sewer utility that is
2 being acquired. The appraisals shall be performed by 3
3 appraisers approved by the Commission's Executive Director or
4 designee and engaged by either the water or sewer utility
5 being acquired or by the large public utility. Each appraiser
6 shall be engaged on reasonable terms approved by the
7 Commission. Each appraiser shall be a disinterested person
8 licensed as a State certified general real estate appraiser
9 under the Real Estate Appraiser Licensing Act of 2002.

10 Each appraiser shall:

11 (1) be sworn to determine the fair market value of the
12 water or sewer utility by establishing the amount for
13 which the water or sewer utility would be sold in a
14 voluntary transaction between a willing buyer and willing
15 seller under no obligation to buy or sell;

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

18 (3) engage one disinterested engineer who is licensed
19 in this State, and who may be the same engineer that is
20 engaged by the other appraisers, to prepare an assessment
21 of the tangible assets of the water or sewer utility,
22 which is to be incorporated into the appraisal under the
23 cost approach;

24 (4) request from the manager of the Accounting
25 Department, if the water or sewer utility is a public
26 utility that is regulated by the Commission, a list of

1 investments made by the water or sewer utility that had
2 been disallowed previously and that shall be excluded from
3 the calculation of the large public utility's rate base in
4 its next rate case; and

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

8 If the appraiser cannot engage an engineer, as described
9 in paragraph (3) of this subsection (c), within 30 days after
10 the appraiser is engaged, then the Commission's Executive
11 Director or designee shall recommend the engineer the
12 appraiser should engage. The Commission's Executive Director
13 or designee shall provide his or her recommendation within 30
14 days after he or she is officially notified of the appraiser's
15 failure to engage an engineer and the appraiser shall promptly
16 work to engage the recommended engineer. If the appraiser is
17 unable to negotiate reasonable engagement terms with the
18 recommended engineer within 15 days after the recommendation
19 by the Commission's Executive Director or designee, then the
20 appraiser shall notify the Commission's Executive Director or
21 designee and the process shall be repeated until an engineer
22 is successfully engaged.

23 (d) The lesser of (i) the purchase price or (ii) the fair
24 market value determined under subsection (c) of this Section
25 shall constitute the rate base associated with the water or
26 sewer utility as acquired by and incorporated into the rate

1 base of the district designated by the acquiring large public
2 utility under this Section, subject to any adjustments that
3 the Commission deems necessary to ensure such rate base
4 reflects prudent and useful investments in the provision of
5 public utility service. The reasonable transaction and closing
6 costs incurred by the large public utility shall be treated
7 consistent with the applicable accounting standards under this
8 Act. The total amount of all of the appraisers' fees to be
9 included in the transaction and closing costs shall not exceed
10 the greater of \$15,000 or 5% of the appraised value of the
11 water or sewer utility being acquired. This rate base
12 treatment shall not be deemed to violate this Act, including,
13 but not limited to, any Sections in Articles VIII and IX of
14 this Act that might be affected by this Section. Any
15 acquisition of a water or sewer utility that affects the
16 cumulative base rates of the large public utility's existing
17 ratepayers in the tariff group into which the water or sewer
18 utility is to be combined by less than (1) 2.5% at the time of
19 the acquisition for any single acquisition completed under
20 this Section or (2) 5% for all acquisitions completed under
21 this Section before the Commission's final order in the next
22 rate case shall not be deemed to violate Section 7-204 or any
23 other provision of this Act.

24 In the Commission's order that approves the large public
25 utility's acquisition of the water or sewer utility, the
26 Commission shall issue its decision establishing (1) the

1 ratemaking rate base of the water or sewer utility; (2) the
2 district or tariff group with which the water or sewer utility
3 shall be combined for ratemaking purposes, if such combination
4 has been proposed by the large public utility; and (3) the
5 rates to be charged to customers in the water or sewer utility.

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

16 (f) The large public utility may recommend the district or
17 tariff group of which the water or sewer utility shall, for
18 ratemaking purposes, become a part after the acquisition, or
19 may recommend a lesser rate for the water or sewer utility. If
20 the large public utility recommends a lesser rate, it shall
21 submit to the Commission its proposed rate schedule and the
22 proposed final tariff group for the acquired water or sewer
23 utility. The Commission's approved district or tariff group or
24 rates shall be consistent with the large public utility's
25 recommendation, unless such recommendation can be shown to be
26 contrary to the public interest.

1 (g) From the date of acquisition until the date that new
2 rates are effective in the acquiring large public utility's
3 next rate case, the customers of the acquired water or sewer
4 utility shall pay the approved then-existing rates of the
5 district or tariff group as ordered by the Commission, or some
6 lesser rates as recommended by the large public utility and
7 approved by the Commission under subsection (f); provided,
8 that, if the application of such rates of the large public
9 utility to customers of the acquired water or sewer utility
10 using 54,000 gallons annually results in an increase to the
11 total annual bill of customers of the acquired water or sewer
12 utility, exclusive of fire service or related charges, then
13 the large public utility's rates charged to the customers of
14 the acquired water or sewer utility shall be uniformly
15 reduced, if any reduction is required, by the percent that
16 results in the total annual bill, exclusive of fire services
17 or related charges, for the customers of the acquired water or
18 sewer utility using 54,000 gallons being equal to 1.5% of the
19 latest median household income as reported by the United
20 States Census Bureau for the most applicable community or
21 county. For each customer of the water or sewer utility with
22 potable water usage values that cannot be reasonably obtained,
23 a value of 4,500 gallons per month shall be assigned. These
24 rates shall not be deemed to violate this Act including, but
25 not limited to, Section 9-101 and any other applicable
26 Sections in Articles VIII and IX of this Act. The Commission

1 shall issue its decision establishing the rates effective for
2 the water or sewer utility immediately following an
3 acquisition in its order approving the acquisition.

4 (h) In the acquiring large public utility's next rate
5 case, the water or sewer utility and the district or tariff
6 group ordered by the Commission and their costs of service may
7 be combined under the same rate tariff. This rate tariff shall
8 be based on allocation of costs of service of the acquired
9 water or sewer utility and the large public utility's district
10 or tariff group ordered by the Commission and utilizing a rate
11 design that does not distinguish among customers on the basis
12 of utility service source or type. This rate tariff shall not
13 be deemed to violate this Act including, but not limited to,
14 Section 9-101 of this Act. In the acquiring large public
15 utility's 2 rate cases after an acquisition, but in no
16 subsequent rate case, the large public utility may file a rate
17 tariff for a water or sewer utility acquired under this
18 Section that establishes lesser rates than the district or
19 tariff group into which the water or sewer utility is to be
20 combined. Those lesser rates shall not be deemed to violate
21 Section 7-204 or any other provision of this Act if they affect
22 the cumulative base rates of the large public utility's
23 existing rate payers in the district or tariff by less than
24 2.5%.

25 (i) Any post-acquisition improvements made by the large
26 public utility in the water or sewer utility shall accrue a

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

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

16 (j) This Section shall be exclusively applied to large
17 public utilities in the voluntary and mutually agreeable
18 acquisition of water or sewer utilities. Any petitions filed
19 with the Commission related to the acquisitions described in
20 this Section, including petitions seeking approvals or
21 certificates required by this Act, shall be deemed approved
22 unless the Commission issues its final order within 11 months
23 after the date the large public utility filed its initial
24 petition. This Section shall only apply to utilities providing
25 water or sewer service and shall not be construed in any manner
26 to apply to electric corporations, natural gas corporations,

1 or any other utility subject to this Act.

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

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

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

21 (n) This Section is repealed on June 1, 2026 ~~June 1, 2028~~.

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

23 Section 99. Effective date. This Act takes effect upon
24 becoming law.