

## HB 2196 -- Water and Sewer Systems

Sponsor: Schad

This bill establishes procedures for the sale of water or sewer systems of a small utility to a large public utility. In its main provisions, the bill:

(1) Requires a small utility whenever it decides to sell its water or sewer system to a large public utility to authorize an appraisal of the system and set a date that the appraisal is due by ordinance, resolution, or board action;

(2) Requires the appraisal to be performed by three disinterested Missouri residents appointed to serve as appraisers. One will be appointed by the small utility, one by the large public utility, and one by the two appraisers appointed by the utilities. One appraiser must be a licensed engineer and one a licensed appraiser. The third appraiser must be either a licensed engineer or a licensed appraiser;

(3) Requires the appraisers to be sworn to determine the fair market value of the system and return the appraisal, in writing, to the small and large public utilities by the established due date. If all three appraisers cannot agree on the appraised value, an appraisal signed by two of them will be a valid appraisal;

(4) Allows either utility, after receiving the appraisal, to decline to proceed with the sale. If the small utility is a municipality required to submit the proposed sale to a public vote, the vote must be conducted as required by law;

(5) Specifies that the purchase price or the appraised value of the system, whichever is less, and the transaction, closing, and transition costs incurred by the large public utility will be the ratemaking rate base for the small utility as incorporated into the ratemaking rate base of the district designated by the large public utility;

(6) Requires the small utility's customers to pay the existing rate of the designated district from the date of the acquisition to the date new rates are effective. For customers with potable water usage values that cannot be obtained, 5,000 gallons per month will be assigned; and

(7) Requires, at the large utility's next rate case, the small utility and the designated district to be combined under the same rate tariff based on the allocation of the utilities' combined costs of service and rate design. The difference between the

actual pretax earnings and authorized pretax earnings will be recorded as a regulatory asset or liability in the rate base of the large utility and amortized for up to three years.