



HOUSE REPUBLICAN STAFF ANALYSIS

Bill:	House File 2581/Senate File 2304	House Committee:	PASSED 2/16/26 (22-0)
Committee:	Commerce	House Floor:	
Floor Manager:	Rep. Mike Vondran	Senate Floor:	PASSED 3/31/26 (46-0)
Date:	April 6, 2026	Governor:	
Staff:	Natalie Ginty (281-7479)		

Water Infrastructure

- This bill establishes advanced ratemaking for system enhancement of water and wastewater infrastructure.

Section by Section Analysis

Section 1 (Iowa Code 476.59) – New Section

Establishes legislative intent to authorize alternative ratemaking mechanisms for water and wastewater treatment facilities to ensure resilient water supply and sanitation services. States that IUC shall not be bound by traditional ratemaking principles or cost recovery mechanisms for system enhancement infrastructure.

Defines “blanket-type work project order”, “eligible utility”, “plan”, “requirement”, “system enhancement charge”, “system enhancement costs”, and “system enhancement improvement”.

Requires an investor owned water utility to obtain approval from IUC of a plan on the service enhancement improvement prior to seeking recovery of its costs for the enhancement. Evidence must include projected annual capital expenditures of service enhancement improvements, estimated operation and maintenance costs, a description of the condition and age of the infrastructure being replaced, alternative plans for compliance, an engineering evaluation, proposed rate schedules, and estimated rate impact.

Requires an application for approval to be a contested case. Requires IUC to provide a final order within 10 months. Allows IUC to consider if the cost estimates are reasonable and will result in rates that are just and reasonable.

Allows the IOWU to file an application annually setting for rate schedules that are automatically adjusted and include a reconciliation of revenues collected for system enhancement. The charge must be calculated as a monthly fixed charge based on meter size and is allowed to recover system enhancement costs.

Outlines the requirements of the application for system enhancement charge. Requires IUC to adopt rules.

Amendment Analysis

H-8284 by Vondran – Conforms to SF2304. Changes based on IUC input:

- Strikes economic benefit from the intent language
- defines “pretax return” adds it to system enhancement costs

- strikes operation and maintenance expenses from the definition of “system enhancement costs”
- adds projects that are nonrevenue producing to the definition of “system enhancement improvement”
- limits an IOWU from filing one of these plans more than once a year
- adds a financial impact analysis to the plan with a limit of 10% rate increase
- Lowers the time from IUC to issue a final order from 10 months to 8 months, unless the IUC has good cause to extend
- Ensures no cross subsidization between water and wastewater services
- Removes that construction must be less than a year
- Requires 20% of the revenue to be deferred as part of the next general rate case