

Commission on Local Government

Estimate of Local Fiscal Impact

2017 General Assembly Session

Bill: SB 1014

Patron: Ebbin

Date: 1/20/2017

In accordance with the provisions of §30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

Bill Summary:

Prohibits the State Corporation Commission from authorizing a water public utility, including a small water utility, from increasing its approved rates, fees, or charges through the use of a surcharge for non-revenue-generating infrastructure replacement or a similar surcharge pursuant to which the utility utilizes an automatic rate adjustment feature to increase its rates, fees, or charges. The measure further provides that the rates, fees, and charges that the Commission has approved for a utility to charge its customers shall not be authorized to increase above the amounts specified in an order of the Commission unless the Commission specifically increases such amounts in an order entered by the Commission.

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### Executive Summary:

SB 1014 prohibits the SCC from authorizing an increase of approved rates by water public utility through a surcharge, as defined in the bill. Furthermore, any approved increase in rates by the Commission cannot be above the amounts specified in an order by the Commission unless the Commission specifically increases such amounts in an order. Localities have evaluated a negative fiscal impact ranging from \$0.01 - \$1,000,000.00. Localities noted that any restrictions from recovery of infrastructure through a surcharge or improvement fee assessment severely impacts localities' ability to meet Federal & State standards and the impacts could be even greater depending on the improvements requirement. Localities also note that the bill would create a burdensome reporting requirement as the rate change process for utilities. Some localities noted that the bill would not impact them as their utilities are not governed by State Corporation Commission.

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### Local Analysis:

**Locality:** Amherst County

**Estimated Fiscal Impact:** \$5,000.00

I am not sure that this does anything for most utilities but give the State Corporation Commission unnecessary power. The utilities I have worked with have always done a rate analysis before raising rates. The analysis would have included all necessary expenses, debt requirements, and future capital needs. This appears that it will become a burdensome reporting as well as rate change process for utilities.

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Locality: Chesapeake Public Schools

Estimated Fiscal Impact: \$2.00

No impact on schools.

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**Locality:** City of Danville

**Estimated Fiscal Impact:** \$0.01

The State Corporation Commission does not administer our rates - they are governed locally by our City Council.

**Locality:** City of Lynchburg

**Estimated Fiscal Impact:** \$1.00

The best I can tell is there would be no financial impact on the City of Lynchburg. This is related to efforts of a private investor owned utility providing water service in Alexandria that wanted a uniform statewide surcharge on water customers. Our various associations are tracking and will be responding to this bill.

**Locality:** City of Manassas

**Estimated Fiscal Impact:** \$0.01

Our utilities are not governed by the State Corporation Commission. This legislation is not applicable.

**Locality:** City of Martinsville

**Estimated Fiscal Impact:**  
\$1,000,000.00

Any restriction from recovery of infrastructure through a surcharge, or improvement fee assessment, severely hampers a locality's ability to meet Federal and State requirements for quality, etc. I've listed \$1,000,000, but the impact could be even greater depending on the improvements needing to be made: collapsed lines, plant failure, etc. I understand the need for some oversight to prevent abuse of customers, but the Commission would have to be able to react in a timely manner if needs arose, etc. Not in favor of another board/commission oversight, especially for smaller localities with a majority residential customer base.

**Locality:** City of Norfolk

**Estimated Fiscal Impact:** \$1.00

There is no impact anticipated as a result of this bill as it is not applicable to Norfolk Utilities.

**Locality:** City of Winchester

**Estimated Fiscal Impact:** \$1.00

No impact, the City's Utility system is not under SCC jurisdiction.

**Locality:** Fairfax County.

**Estimated Fiscal Impact:** \$1.00

This bill would not have a direct impact on Fairfax County's government budget, but would rather potentially impact Fairfax Water, a public non-profit water utility company.

**Locality:** Franklin County

**Estimated Fiscal Impact:** \$1.00

Utility rates are imposed by the Western Virginia Water Authority in Franklin County.

**Locality:** Louisa County

**Estimated Fiscal Impact:** \$1.00

The Louisa County Water Authority does not charge a surcharge for non-revenue-generating infrastructure replacement or utilize automatic rate adjustments to increase its rates, fees, or charges. This change would not have a financial impact on the county at this time.

\*\*System required an impact, so I put \$1, but it should be \$ .00.

**Locality:** Rockingham County

**Estimated Fiscal Impact:** \$0.01

Not Applicable.

**Locality:** Spotsylvania County

**Estimated Fiscal Impact:** \$0.01

No impact.

**Locality:** Town of Boones Mill

**Estimated Fiscal Impact:** \$1.00

I do not this bill would have any fiscal impact on the Town of Boones Mill.

The Town operates a small utility system, and debt service for infrastructure is a large fixed cost for our utility fund. All of our infrastructure is vital to system operation --we do not have any "non-revenue-generating infrastructure." Further, our rate structure does not have any surcharges: there is only a base fee and a usage rate, for all customers. Finally, we have no automatic rate increase provisions; Town Council votes to set the rates each year.

This bill is a restriction on the rate setting practices of utilities. But it would not affect our rate structure.

**Locality:** Wise County

**Estimated Fiscal Impact:** \$1.00

In discussions with our PSA director this would have no impact on our PSA.