

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

**Bill Number:** 1326 S HB

**Title:** Utility connection charges

## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- Cities: Cities that provide electric services to the public.
- Counties: Counties that provide electric services to the public.
- Special Districts: Public Utility Districts & Municipal Electric Companies
- Specific jurisdictions only:
- Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs: Cost of adopting an ordinance
- Legislation provides local option: Municipal utilities have the option of waiving connection charges to certain properties by adopting an ordinance.
- Key variables cannot be estimated with certainty at this time: The number of municipal utilities that would adopt the local option and the number of customers affected.

### Estimated revenue impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

### Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

## Part III: Preparation and Approval

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Leg. Committee Contact:	Phone:	Date: 02/27/2023
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 02/28/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 03/01/2023

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

*Description of the bill with an emphasis on how it impacts local government.*

#### **CHANGES BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:**

- Allows waivers of connection charges for properties owned or developed by, or on the behalf of, the listed entities, rather than for properties used by the listed entities;
- Removes "any other legal entity" from the list of entities that can qualify for a connection waiver if the entity provides emergency shelter, transitional housing, permanent supportive housing, or affordable housing;
- Specifies that limited partnerships and limited liability companies are included in the list of entities that can qualify for a connection waiver;
- Requires that any waived connection charges be funded through general funds, grant dollars, or another identified revenue stream;
- Removes language from the definition of emergency shelter that required a shelter to be funded in whole or in part from the state capital or operating budget, housing finance commission programs, housing authorities, or local government housing funds in order to qualify as an emergency shelter.

#### **SUMMARY OF CURRENT BILL:**

This bill authorizes municipal utilities to establish, by ordinance, a program to waive connection charges for properties used, owned or developed by a nonprofit organization, housing authority, local agency, limited partnership or limited liability company that provides emergency shelter, transitional housing, permanent supportive housing, or affordable housing. If a property that received a waiver is no longer operating as one of the organizations listed above, any waived connection charges are due immediately and must be paid in order to receive continued service.

### **B. SUMMARY OF EXPENDITURE IMPACTS**

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*

#### **CHANGES IN EXPENDITURE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:**

In comparison to the previous version of the bill, this does not create any additional expenditure impacts on local governments.

#### **EXPENDITURE IMPACTS OF CURRENT BILL:**

This bill has indeterminate expenditure impacts on local governments. Municipal utilities have the option of establishing a program to waive connection fees to certain types of housing by adopting an ordinance, but it is not required. Service connection fees cover costs to utilities for metering, materials, installation and system impact. Since the tasks performed during the installation and connection of electric services fall within the purview of current utility staff, waiving fees for certain properties would not increase the costs of staff labor. For discussion purposes, the Local Government Fiscal Note Program's cost models put the cost of adopting a simple ordinance without a hearing is \$595, while adoption of a simple ordinance with a hearing is \$2,958. However, since there is currently no requirement to adopt new ordinances under this legislation, these costs are speculative and indeterminate.

### **C. SUMMARY OF REVENUE IMPACTS**

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

#### **CHANGES IN REVENUE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:**

In comparison to the previous version of the bill, this version creates additional revenue impacts on local governments.

The substitute bill specifies that waivers for connection charges must be funded by general funds, grant dollars, or another identified revenue streams. Since this bill provides a local option for waiving connection fees, it is unknown how many

jurisdictions' revenues would be affected by adopting the local option. For jurisdictions that do adopt the local option, revenues may decrease due to the use of revenue streams to fund connection fee waivers. The substitute bill allows connection charge waivers to be applied to properties owned or developed by, or on the behalf of, the listed entities, rather than for properties used by the listed entities. This clause may increase the number of properties that are eligible for connection waivers, thus increasing the impact on local government revenue streams if the local option is adopted. Since connection fee waivers are a local option, and it is unknown how many jurisdictions would choose to establish connection fee waivers, additional revenue impacts on local governments are indeterminate.

#### REVENUE IMPACTS OF CURRENT BILL:

This bill has indeterminate revenue impacts on local governments. Municipal utilities may lose revenue if they adopt the local option to waive connection fees for properties used, owned or developed by nonprofits and other entities that provide emergency shelter or transitional housing. However, connection charges are a one-time fee, as opposed to monthly charges for power usage. The cost of connection fees vary by location. In Snohomish County, starting electric services entails a \$15 service account fee and may require customer service field visit (\$25), a security deposit and other fees. According to data from the Energy Information Administration (EIA), the average monthly bill for commercial customers in Washington State is \$554. The proportion of utility revenue generated from connection fees in comparison to monthly power usage rates is unknown. It is also unknown how many utility customers meet the requirements for connection fees to be waived. Finally, it is unknown how many jurisdictions would adopt the local option to waive connection fees to certain customers. These uncertainties make the revenue impact on local governments indeterminate.

#### SOURCES:

Chelan County Public Utility District  
Energy Information Administration (EIA)  
House Bill Report, SHB 1326, Committee of Environment & Energy, (2023)  
House Bill Analysis, HB 1326, Committee of Environment & Energy, (2023)  
Local Government Fiscal Note, HB 1326, (2023)  
Local Government Fiscal Note Program Unit Cost Model (2023)  
Municipal Services Research Center  
Snohomish County Public Utility District