



SENATE BILL 515: Water and Sewer Affordability Act.

**This Bill Analysis
reflects the contents
of the bill as it was
presented in
committee.**

2023-2024 General Assembly

Committee:	Senate Finance. If favorable, re-refer to Rules and Operations of the Senate	Date:	April 19, 2023
Introduced by:	Sens. Sawyer, Perry, Lazzara	Prepared by:	Nicholas Giddings Staff Attorney
Analysis of:	Second Edition		

OVERVIEW: *Senate Bill 515 would (i) allow the Utilities Commission (Commission) to suspend a water or sewer utility's proposed base rates and Water and Sewer Investment Plan implementation by up to 300 days, (ii) require local government water and sewer providers, prior to sale of a water or sewer system to a private company, to hold a public hearing and make a determination that the sale is in the public interest, and (iii) provide that a local government water or sewer provider must hold a public hearing if an increase in the rates on customers outside of their jurisdictional boundaries exceeds the rates on customers inside its boundaries by more than 25%.*

CURRENT LAW AND BILL ANALYSIS:

Current law allows a water or sewer utility to apply for approval of a Water and Sewer Investment Plan, under which the Commission sets water or sewer base rates, revenue requirements through banding of authorized returns, and authorizes annual rate changes for a three-year period based on reasonably known and measurable capital investments and anticipated reasonable and prudent expenses approved under the plan without the need for a base rate proceeding during the plan period.

When a public utility files a new or revised schedule of rates with the Commission, the Commission may, upon reasonable notice, enter a hearing concerning the lawfulness of the rates. Pending the hearing and the decision in the hearing, the Commission may suspend the operation of the new or revised rates for up to 270 days beyond the time when the rates would otherwise go into effect.

Section 1 of the bill would allow the Commission to suspend the effect of proposed base rates and the implementation of a Water and Sewer Investment Plan in the same manner as when a public utility files a new or revised schedule of rates with the Commission, except that the Commission may suspend the operation of the proposed base rates for up to 300 days.

This section would be effective when it becomes law, and would apply to rate schedules filed on or after that date.

Section 2 of the bill would require a local government service provider to hold a public hearing when selling a water or sewer system that services the public to a private company and make a determination that the sale is in the public interest. In determining if the sale is in the public interest, the local government shall consider several enumerated factors, including the physical condition of the water or sewer system being sold; the capital replacements, additions, expansions, and repairs needed to provide reliable service and meet all applicable federal standards; the willingness and the ability of the purchaser to make system upgrades and repairs and provide high-quality and cost-effective service; and affordability of the projected

Jeffrey Hudson
Director



Legislative Analysis
Division
919-733-2578

Senate Bill 515

Page 2

rates for the next three years for customers serviced by the system, based on the income levels of the customer base.

The local government selling the system must prepare a statement showing that the sale is in the public interest, including a summary of the purchaser's experience in water or sewer utility operation and a showing of financial ability to provide the service.

All moneys paid by a private company to a local government for the purchase of a water system must be used for one of four enumerated purposes:

- Debt reduction for the system, if applicable.
- Repayment of federal grant awards associated with the system as may be required by federal law or regulation.
- Investment in local water, wastewater, or stormwater infrastructure or programs.
- Reducing or offsetting water and sewer service rates.

This section would be effective when it becomes law, and would apply to contracts for sales of water systems executed on or after that date.

Current law allows local governments that offer water and sewer services to provide services to customers outside their jurisdictional boundaries. They may charge different rate schedules for services offered outside their jurisdictional boundaries.

Section 3 would require a local government water or sewer provider to hold a public hearing if an increase in the rates on customers outside of their jurisdictional boundaries exceeds the rates on customers inside its jurisdictional boundaries by more than 25%. No public hearing is required if the difference does not exceed 25%.

This section would be effective when it becomes law, and would apply to rates established on or after that date.

Section 4 would make conforming changes.

EFFECTIVE DATE: Except as otherwise provided, this act would be effective when it becomes law.

Chris Saunders, counsel to Senate Agriculture, Energy, and Environment, substantially contributed to this summary.