

**SENATE BILL REPORT**

**SB 5298**

**AS OF FEBRUARY 1, 1991**

**Brief Description:** Limiting charges on municipal utility customers who live outside the municipality.

**SPONSORS:** Senators McCaslin, Sutherland and Madsen.

**SENATE COMMITTEE ON GOVERNMENTAL OPERATIONS**

**Staff:** Rod McAulay (786-7754)

**Hearing Dates:** February 7, 1991

**BACKGROUND:**

Municipal water and sewer utilities may extend services to customers located outside of the boundaries of the municipality. Municipalities have broad discretion in establishing the charges for water and sewer services to such customers. The state Supreme Court has held that charges may vary from those for customers who reside within the municipal boundaries, and that a municipal tax on the utility may be passed on to the nonresident customers.

**SUMMARY:**

Rates charged by municipal water utilities must be fair, just and reasonable as well as uniform for the same class of customers or service. When establishing classes of customers, the city or town governing body must consider a variety of factors including the location of the various customers, to the extent that such location provides a quantifiable basis for different rates that other factors do not.

Where a majority of the retail customers of a municipal water utility reside outside the municipal boundaries, the utility may not charge the nonresident customers more than is charged retail customers who reside within the municipal boundaries unless the rates are reviewed and approved by the county legislative authority following at least one public hearing.

No city or town may impose a tax on a water or sewer utility at a rate that exceeds the combined rate of state and local sales and use taxes applicable in the unincorporated area of the county in which the city or town is located. Any such tax in effect on the effective day of this act which exceeds this limit must be abated by no less than 10 percent of the amount it exceeds the maximum rate each succeeding year.

**Appropriation:** None

**Revenue:** None

**Fiscal Note:** requested January 29, 1991