

Franchise Fees

Will my utility bills go up with cityhood? (Franchise Fees)

Local governments are allowed to charge what are known as “franchise fees” to utilities for the use of rights-of-way. Franchise fees are very complicated, governed by federal and state law, and vary by type of utility. For residents within the proposed city limits, these fees could remain the same, go up or go down. We don’t anticipate a significant change up or down.

Below is more detail by type of utility. We spent many hours researching the information. Please be aware that the intent of this FAQ is to put franchise fees into general concepts as they relate to Mableton cityhood. The laws, regulations and operating procedures that relate to these fees are very complicated. They vary by industry type and sometimes by individual utility. The information is accurate to the best of our knowledge, but is not warranted. We intend to update this FAQ if new information becomes available to us. Our goal is to provide the best information possible for people to make an informed decision.

Utility Franchise Fees are fees that are charged to utilities for occupying local rights-of-way with wires, pipes, etc. They are typically calculated as a percentage of total charges. Some are shown as a line item on your bill while others are built into the base rate for services. When UGA is referenced below, the reference is to information provided in the feasibility study that was prepared by the University of Georgia’s Carl Vinson Institute of Government.

Cable – This is the only type of utility franchise fee that a county in Georgia is allowed to charge. This fee is collected by the county for unincorporated areas and by municipalities for areas within the city limits. Each is allowed to determine the fees charged, but the fees are capped by law. Our understanding is that Cobb County charges the maximum fee allowed by law and therefore we would expect the fees for cable to either remain the same or be reduced.

Electric – This is the most complicated of the four types. Electric companies can collect fees from all customers, but the fees collected are only distributed to municipalities with which the electric company has a long-term distribution agreement. Counties cannot collect these fees. Electric companies typically pay 4% of usage revenue to municipalities. If a municipality does not choose to enter into a long-term distribution agreement, the municipality is treated like an unincorporated area. Per UGA: “Pursuant to recent rulings by the Georgia Public Service Commission, half of the annual franchise fee paid by Georgia Power to municipal corporations is collected from the rate base of all Georgia Power customers statewide (as a cost of doing business), and the other half is collected as a fee solely on the electric bills of customers within the municipality collecting that fee. Thus, collection of the electric franchise fee would result in an increase of approximately 2% in the electric bills of city customers.” We researched the ruling reference above and found it was from 2007. We also found the ruling stated there is nothing that requires a municipality to charge the amount above fees included in the base rate. This means a municipality could elect to receive just 2% instead of 4% and there would be no additional charge to residents. As this was a 2007 ruling, we researched to see if we could find more update-to-date information. Per a recent Georgia Power “Electric Service Tariff: Municipal Franchise Fee Schedule: MFF-8” with an effective date of January, 2022, we find that customers within city limits pay 3.0487% times usage revenue and outside city limits pay 1.1784% times usage revenue. What isn’t clear is if Georgia Power still includes any of the fee in the base rate. What is clear is that the difference between the inside city limits and outside city limits rate is 1.8703%. For 2021 we found the difference was 1.8717%. One steering committee member analyzed his bills for 2021 (4 bedroom, detached house with

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a full basement) and found his bills would have been \$14.01 higher for the entire year, which is an average of \$1.17 per month. Within the proposed boundaries of the city, we believe power is supplied by Georgia Power, Cobb EMC and Greystone Power. Information about Cobb EMC and Greystone Power was more limited, but we did find some third-party references that they only collect fees from those within city limits. What wasn't clear is whether they include anything in the base rate to all customers or if the entire 4% is paid as a line item on the bill to those in the city. Based on this, if we assume a 4% rate charged as a line item (worse case), the same steering committee member's bill for 2021 would have increased by \$29.93 for the year, which is an average of \$2.49 per month. In summary, our understanding is that city council could choose to keep the fees the same or they could enter into long-term distribution agreements that may or may not cause small increases in electric bills. Please keep in mind that in the case of Georgia Power, and possibly other suppliers, we are currently paying municipal franchises fees that are being sent to cities throughout Georgia with no direct benefit to us. While we assume Atlanta, Macon, Savannah and the other cities appreciate our money, we would rather the money stay in our community.

Natural Gas – Under Georgia law only municipalities (not counties) can collect franchise fees from utilities, but the utilities can pass the cost of these fees to all customers, regardless of if they are in a city or not. Per UGA: "Such franchise fees to cities are typically paid out of the rate base of all natural gas customers as a cost of doing business." Our research finds that these fees are 3% of charges. We think of this as found money that can be put to good use in the community. We believe cityhood will not increase your gas bills.

Landline Telephone Services – Under Georgia law only municipalities are allowed (not required) to collect this fee. Municipalities can charge a maximum of 3%. From our research, if implemented, this fee would appear as an additional line item on your bill. Per UGA: "Because only landline telephone service requires occupancy of municipal rights-of-way, movement away from landline service to internet-based and cellphone services is making this a diminishing revenue source for municipal corporations." City Council will need to determine if they want to impose this fee, but it appears that even if they do, it won't have a significant impact on residents. Based upon the UGA statement, it may not even be worth the effort it takes to collect.