

Policy Briefing Summary

City Council



Regarding:	Public Hearing and Ordinance to Amend and Reordain Chapter 31 (Utilities) of the Code of the City of Charlottesville, 1990, as Amended, to Establish a Connection Fee for New Gas Service (1 of 2 readings)
Staff Contact(s):	Jason McIlwee, Deputy Director, Chris Cullinan, Director of Finance, Lauren Hildebrand, Director of Utilities
Presenter:	Jason McIlwee, Deputy Director
Date of Proposed Action:	June 1, 2026

Issue

A Public Hearing is being held at tonight's City Council Meeting to establish a connection fee of \$1,950.00 for a new gas service. The fee would be effective as of January 1, 2027, if approved by City Council on June 15, 2026. The future effective date is to allow adequate notice to be given to interested parties. The Public Hearing Notice was advertised in the newspaper during the weeks of May 11, 2026, and May 18, 2026.

Background / Rule

The City of Charlottesville, Virginia ("City"), owns and operates a natural gas utility that provides service to approximately 21,300 customers in the City and Albemarle County, Virginia. Currently, the City offers natural gas service to residential and commercial customers based on the proposed connected loads for their gas appliances. City Department of Utilities Staff make a financial evaluation of gas service requests to ensure installation, operation, and ongoing maintenance of the service are economically feasible for the gas utility. The City currently offers gas service installation up to 150 feet at a cost of \$340.00 to residential customers.

Comparatively, the City charges \$3,100 for a water residential facility fee and \$5,350 for a wastewater residential facility fee. The facility fees, or fees to establish new connections to the water and wastewater system, are higher than gas connection fees primarily due to the amount necessary for capital improvements to the water and wastewater infrastructure. In addition to establishing the physical connection on the water and wastewater system, the City's Department of Utilities must maintain fixed capital investments — pump stations, distribution mains, services, and all associated appurtenances — all sized to peak demand plus fire flow reserve requirements. This capacity reservation cost is passed through to new customers at the time of connection via the facility fee, reflecting each new customer's proportionate share of the infrastructure built and held in reserve on their behalf.

In contrast, the City's gas utility system is already fully built out and does not need additional system capacity. A residential gas service line installation may involve less excavation and fewer components than a water or wastewater connection. Additionally, because the gas distribution system is already in place and no new capacity-related projects are being constructed to serve additional customers, the connection fee only recovers the direct costs of making the physical tap — labor, materials, and equipment. There is no capacity reservation component to recover, and no new infrastructure is being built on the new customer's behalf. This makes the gas connection fee fundamentally a charge to connect the new customer to the system, rather than a capacity or infrastructure development charge and results in a lower charge than the water and wastewater facility fee.

Analysis

City Gas is proposing to no longer offer service line installations for qualifying appliances at a cost of \$340.00 to the customer. It is proposed that all gas services will pay a \$1,950.00 connection fee for the new service, up to 150 feet of service line. Services that exceed 150 feet will be required to pay the cost for the excess footage. The new connection fee charge is designed to cover the direct costs of the installation of the service line.

Financial Impact

The City's Natural Gas Utility Fund is a self-sustaining enterprise fund that is supported by the revenue from rates and fees. The approval of the connection fee has no impact on the City's General Fund.

Recommendation

Following conducting the legally required Public Hearing and the second reading of this matter, City Staff recommends adoption of the attached Ordinance approving the proposed connection fee.

Recommended Motion (if Applicable)

Not applicable at this time (Ordinance adoption will require a second reading).

Attachments

1. Gas Connection Fee Ordinance