The WATER WELLSPRING

***A FLOWING SOURCE OF INFORMATION* FOR WATER AND WASTEWATER UTILITIES**

Winter 2011

Expanding Utility Service Area

Is your utility expanding its service territory? If so, the utility needs to advise the Public Service Commission of South Carolina (PSC) and submit proper documentation for approval. The approval process will be a docketed matter, and a hearing may or may not be held to approve the expansion. The following information must be submitted to the PSC when requesting approval for expansion of service territory:

1. Signed purchase agreement.
2. Plat of proposed area to be served.
3. Copy of engineering plans and specifications designed or certified to be in accord with good engineering practices by a professional engineer registered in South Carolina.
4. Construction permits from the South Carolina Department of Health and Environmental Control (DHEC) approving engineering plans and specifications.
5. Schedule of proposed rates and charges and cost justifications, including tap fees with attached schedule depicting labor costs, materials costs, and miscellaneous costs.
6. Number of customers proposed to be served and capacity of system.
7. Financial statement showing proposed plant investment by categories.
8. Depreciation schedule by categories of plant or average service lives.
9. Proforma income-and-expense statement showing the effect of using the proposed rates based on plant capacity.
10. Filing of updated performance bond in accordance with 26 S.C. Code Regs.103-512.3 or 103-712.3., if applicable.
11. Statement by a professional engineer that the system was built and installed according to plans and specifications on file with the Commission and will furnish adequate service for the area to be served.
12. Letter from DHEC approving the system for operation, dated not more than six (6) months prior to the date of application.
13. Customer bill form.
14. Other pertinent or relevant information deemed necessary by the Commission.

DHEC

PROMOTE PROTECT PROSPER

CORNER

Water System Security – Everyone's Responsibility

By: Rich Welch, PE, Manager
Drinking Water Compliance Section
SC DHEC Bureau of Water

Everyone in the drinking water industry has heard a lot about security for the past few years. Soon after the September 11th tragedy, drinking water systems became more security-conscious. In addition, federal directives such as vulnerability assessments became mandatory. After initial security upgrades and vulnerability assessments, water system security has been emphasized less because of challenges like drought, budgets, and more regulatory requirements.

DHEC staff evaluate both source and storage security on the sanitary survey inspection. The purpose for these evaluations is to ensure that all sources (ground, surface, and metered), pumps, controls, and finished water storage facilities are properly protected against contamination due to vandalism, tampering and/or sabotage. All source-water sites should be secured against entry by unauthorized persons. Surface-water plants are usually fenced in and have comprehensive security procedures to get onsite. Ground-water systems also typically enclose the well site in a fenced area and have a lockable well house. Some smaller systems are able to enclose the wellhead piping in a lockable cover. Inspectors look to make sure that all locks protecting the wellhead piping, pumps, or controls remain locked at all times and that there are no signs of recent vandalism.

The distribution system presents similar challenges. All access to the area surrounding finished water storage tanks should be restricted to the highest degree possible. All hatches as well as the perimeter fence gate should be locked. All elevated tanks should be equipped with an appropriate anti-climb device or should have a ten-foot section of ladder removed. The most obvious sign of inadequate security is the presence of recent graffiti or vandalism on or around the storage tank. The inspector will note any signs of recent graffiti or vandalism and consider it a sign of inadequate security. The inspector will give a satisfactory rating if the wellhead area and pump controls and all storage tanks are properly secured and protected from vandalism. If all necessary security measures are in place, but the owner has failed to maintain those measures (i.e. locks not in locked position, fences in need of repair), then a rating of Needs Improvement will be given. If adequate security measures are not provided, or if the inspector observes recent or repeated vandalism, then this item should be rated Unsatisfactory. An Unsatisfactory rating may also be given if no action has been taken to correct a rating of Needs Improvement given in a previous survey.

Water system security is the responsibility of all water industry personnel and should be periodically evaluated and updated if necessary. With the advent of hurricane season, now is a great time for each system to go through and reevaluate system security, emergency preparedness, and vulnerability using the all hazards approach. This approach includes terrorist-type events as well as natural disasters, spills, and other challenges. For more information or technical assistance related to water system security and emergency preparedness, please call the Drinking Water Compliance Section at 803-898-4300.

Increase Utility Revenues Without A Rate Increase

Willie J. Morgan, P.E., CPM
South Carolina Office of Regulatory Staff

In tight economic times, utilities must search for ways to operate more efficiently in order to lower costs and increase revenue flow. Accurate metering and billing can be a powerful tool that provides a major boost to a company's bottom line.

Water and wastewater utilities across South Carolina lose hundreds of thousands of dollars a year to theft, leakage, unbilled customers, poor collection processes, and inflow/infiltration problems. Revenue is also lost to inefficient operations, poor distribution-system design, and inadequate forecasting.

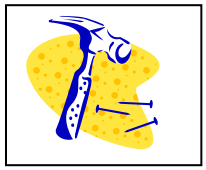
While tampering, leakage, and over- and under-utilized equipment can be difficult to identify, the effort to pinpoint and correct these problems can reap rewards for the company. Regular review of the water system, service territory, and billing information can help to reduce system loss, ensure accurate billing, and enhance revenue flow.

Those in the utility industry recognize that increasing revenue provides capital dollars to maintain and improve service quality, provide adequate operating and maintenance coverage, make improvements to infrastructure, and maintain a sound financial position. Taking steps to improve company operations is a valuable way to increase revenue, without increasing rates.

Please Note... Willie Morgan, P.E. of the Office of Regulatory Staff will be presenting a paper at the upcoming 2011 South Carolina Environmental Conference in Myrtle Beach called "Increase Utility Revenues Without A Rate Increase." Water and wastewater utilities across South Carolina lose hundreds of thousands of dollars a year to theft, leakage, unbilled customers, poor collection process, and inflow/infiltration problems. The presentation will focus on experiences by the Office of the Regulatory Staff in dealing with customer complaints and utility rate cases.

The Audit Corner:

Accounting for Maintenance and Repair Expenses



What are maintenance and repair expenses?

These expenses include labor and any materials and supplies used in maintaining utility plant and property.

What are examples of these types of expenditures?

- Sludge transportation and hauling
- Pump repairs
- Repair of line breaks

What are regulatory requirements regarding these expenses?

- The expense must be legitimate and reasonable
- The items charged to the accounts, including materials and supplies, must have actually been incurred
- Items expensed must be properly classified as maintenance rather than improvements or replacements

What is the major challenge in accounting for these expenditures?

The major challenge is making sure these expenditures are properly classified, i.e. expensed or capitalized.

What distinguishes a capital expenditure from a repair expense?

If a repair extends the life of an asset beyond one year, it should be classified as a capital expenditure. These costs are then charged over the asset's remaining useful life through depreciation rather than being expensed in one year. Any labor costs associated with these capital expenditures are also capitalized.

Does NARUC make any recommendations regarding the classification of expenditures as either maintenance and repair expense or a capital improvement?

NARUC recommends that expenditures below the "capitalization thresholds" shown below, by utility classification, be expensed.

- Class A: $750
- Class B: $400
- Class C: $150

Can a company set other capitalization levels?

Yes. Some companies have established their own capitalization levels based on the company's history of expenditures.

Sources: *Public Utility Accounting Theory and Application – Suelflow*
NARUC Uniform System of Accounts

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