



THE WATER WELLSPRING

A Flowing Source of Information for Water and Wastewater Utilities

Summer 2012

South Carolina Hurricane Preparedness

The South Carolina Emergency Management Division's (SCEMD) website offers ways to prepare for hurricanes and their potential damage. Some damaging results to a utility from a hurricane are high winds, excess rain, and possible storm surge. Utilities must be prepared in the event of such emergency and must be able to quickly evaluate and respond to the situation. Now is the time for utilities to review their emergency plan and ensure all staff is familiar with procedures. Emergency plans should include:

- Establish contacts for emergency water supply
- Inspect generators and back-up lights; ensure spare parts are available
- Shut down exposed pipes at waterways to prevent possible loss or cross contamination of potable water
- Secure important plant records and maps
- Fill all storage tanks to capacity and turn valve off from distribution system immediately prior to storm to prevent water loss
- Label chemical bulk storage tanks
- Prepare to keep pump stations operating unless the pump station becomes submerged.
- Train all essential personnel to shut down and restart the system if necessary. Contact DHEC and ORS if a plant is taken offline or the water and/or wastewater system is inoperable



Meeting Cost Demands Without Increasing Rates



There are ways utilities can increase their revenue without increasing their rates. Utilities can lower costs and increase revenue by reviewing their operations and following the suggestions listed below:

- **Water Audit:** A water audit can identify how much water is lost, what that loss is costing the utility and its customers, and the type of water loss that is occurring. The overall goal of the audit is to assist the utility in the selection and implementation of programs to reduce supply and distribution-system losses and help to avoid higher rates for the customers. The water audit should be followed by the development of a leak-detection and system-management program. The implementation of this program can help the utility reduce water and revenue losses, make better use of water resources, and ensure proper billing.
- **Metering:** Meter inaccuracy can reduce water and sewer revenues and distort apparent water losses. The meters for large-consumption customers, as well as other users, should be evaluated regularly and should include a physical inspection of the meters.
- **Inflow and Infiltration:** Inflow and infiltration adds water and other foreign material to sewer systems and increases the load on the system's treatment capacity. While this is an area that will not increase revenue for the utility, reducing inflow and infiltration can shrink a utility's operating cost and limit the need for added capacity. Addressing inflow and infiltration lowers a utility's need for added sewer capacity and can prevent sewer backups and overflows.
- **Unbilled Revenue:** Unbilled users can consist of unmetered use by contractors, unauthorized or unmetered connections, and theft by bypassing meters. Utilities must routinely evaluate all parts of their operations to ensure that each user has an active account with the utility and is being billed properly. In addition, utilities should conduct vacancy surveys routinely. Certain customers may add capacity to the sewer system without informing the utility. If the number of billed Single Family Equivalents (SFEs), amount of business activity, closet units, or amount of furnishings allocated for a customer is too low, the result is that other customers subsidize the system. Sewer utilities must employ varying methods of accounting, recordkeeping, and customer-usage review to ensure proper billing for all users.
- **Unauthorized Users:** Unauthorized users include theft by bypassing meters, users who fail to notify the utility prior to initiating service, and contractors who obtain water from the system without approval. If the user of the utility's service is a user with no alternative source or the alternative sources are more costly for the user, then identifying, billing, and collecting from this user would definitely add to the utility's revenue. For any unauthorized connection the then-current tap fee and accrued service charges, if any, should be assessed and collected in accordance with applicable rules and regulations.
- **Tampering and Vandalism:** Utilities can attempt to prevent tampering and vandalism by making periodic visits throughout their service areas and implementing other protective measures.
- **Change in Service Type:** Utilities should monitor their service territories for any customers that are believed to have changed equipment, service, or use of property.



Regulatory Assets and Liabilities

What are Regulatory Assets and Liabilities?

Regulatory assets and liabilities result from certain decisions of the Public Service Commission of South Carolina (PSC). These items include specific revenues, expenses, and gains or losses that would have been included in the current period to determine net income.

Regulatory assets and liabilities can also be created in reconciling differences between generally accepted accounting principles, regulatory practice, and tax laws (i.e., accumulated deferred income taxes).

Why classify these items as Regulatory Assets and Liabilities?

The main reason is so these items can be included for purposes of developing the future rates a utility is authorized to charge for its utility services.

What is an Accounting Order?

An accounting order is a mechanism by which companies petition the PSC for treatment of certain accounting issues for regulatory purposes. Many of these actions result in regulatory assets and liabilities.

How does an Accounting Order affect an upcoming rate proceeding?

While a Company may receive approval for accounting treatment of certain revenue, expenses, and gains or losses, having an accounting order does not prejudice the right of any party to address these issues in a subsequent rate proceeding.

How are Regulatory Assets and Liabilities recorded in the Company's books and records?

In Accordance with the NARUC Uniform System of Accounts, Regulatory Assets are booked in Account 186 – Miscellaneous Deferred Debits and Regulatory Liabilities are booked in Account 253 – Other Deferred Credits.

If you have questions, please contact Jay Jashinsky (803-737-1984) or Sharon Scott (803-737-0964) of the ORS Audit Department.

Source: National Association of Regulatory Utility Commissioners - Uniform System of Accounts

Collecting Past Due Balances



A utility should avoid delays in attempting to collect a customer's past due balance. The utility should have a formal written collection process and the utility's staff should follow it accordingly. Following a formal process allows the utility to be received more favorably by regulatory entities, rate governing bodies, and politicians if there is a complaint made on behalf of the customer. Each utility should have a clearly written termination process in place that is approved by management and is consistent with all applicable laws and regulations.

Water and Wastewater Workshop

Mark your calendars for another water and wastewater workshop planned for January 2013. The date has not been selected, but we are working with the PSC to arrange a schedule and an itinerary so be sure to look for additional information in the next edition of *The Water Wellspring*.



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