



## The WATER WELLSPRING

A FLOWING SOURCE OF INFORMATION FOR WATER AND WASTEWATER UTILITIES

Spring 2011

### Remind Customers to Properly Dispose of Household Chemicals and Oils

After a long and cold winter, spring is finally here. As the weather warms up, outdoor projects such as home improvement/repair and yard maintenance begin. Unwanted results of spring cleaning are excessive trash and waste such as oil (cooking or motor), grease, paints, construction debris and grass clippings.



Unsure of how to dispose of these items, people will inevitably dispose of them into the storm drain or into the utility's sewer system. It is important to remind your customers of the dangers of improperly disposing of household and lawn chemicals/grease/oils and advising them of the proper disposal methods. A bill insert, or information printed on the bill, ensures that customers will receive the information on how to properly dispose of their household waste. In addition, customers who properly dispose of their household waste will protect the local water bodies and the operation of the wastewater treatment system. Customers should be informed that if they are found to be improperly disposing pollutants or household wastes into the storm drain or the wastewater treatment system, they could face legal consequences, including fines. Include the Department of Health and Environmental Control's (DHEC) phone number at (803) 898-3432 and your utility's phone number for customers to contact if they suspect someone is illegally discharging pollutants into the storm drain or into the wastewater treatment system.

**REMINDER:** Water and wastewater utilities are reminded that the regulations require an annual report be filed with the PSC with a copy to the ORS no later than April 1 of each year if the utility's books are maintained on a calendar year. If the utility uses a fiscal year-end other than December 31, the annual report should be filed within three months after the end of the fiscal year. Any requests for a one-month filing extension should be submitted to the ORS. Any requests for longer filing extensions should be submitted to the PSC.

# Standing Water an Invitation For Danger

April showers bring May flowers. They also bring the potential for dangerous storms and excessive rainfall. A power line that has fallen can still be energized, and that energy can be conducted through water that is on the ground. Since water is a conductor of electricity, and the human body is composed primarily of water, walking through an energized pool of water creates the same effect as touching an energized power line. It can cause burns and, if severe enough, can be deadly.



It is important to remind customers not only to stay away from fallen power lines but also to avoid any water that may be near a fallen power line. Advise customers to contact their electric utility if they ever see a downed power line and to stay away from any standing water near the line.

# Increasing Revenues Without Increasing Rates



Willie Morgan, P.E., Program Manager in the ORS Water and Wastewater Department, spoke at the South Carolina Environmental Conference held in Myrtle Beach in March. The discussion was directed towards utilities improving their operations as a way to increase revenue without increasing rates. Utilities can lower costs and increase revenue flow by reviewing their operations and exploring other opportunities to meet their cost demands. Some suggestions include:

- **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 clear water 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.
- **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.

A utility should avoid any delays in its process of 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 will allow 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 clear written termination process in place that has been approved by management and is consistent with all applicable laws and regulations. Utility staff should adhere to the established termination process at all times. Delayed termination of delinquent customers will only increase the utility's uncollectible revenue.

## Workshop Scheduled

The ORS has scheduled a workshop regarding the regulatory requirements that affect water and wastewater (sewer) utilities in South Carolina. The workshop is planned for **Thursday, December 1, 2011**, from 9:30 a.m. until 3:00 p.m. at the Public Service Commission's hearing room, 101 Executive Center Dr., Suite 100, Columbia, SC 29210. The workshop is **FREE** and open to the public, limited only by space available. More information will follow.

## The Audit Corner...



### ***WHAT ARE "ABOVE AND BELOW THE LINE" EXPENSES?***

Revenue  
Less: Expenses (the line)  
Net Operating Income

This terminology is widely used in the regulated industry when referring to a company's expenses. Exactly what "line" are we talking about? This is best explained as the "line" drawn beneath operating expenses in the mechanical process of deducting these expenses from operating revenues. For regulated utilities, expenses that are directly related to and necessary to provide utility service are chargeable to the ratepayer. Therefore the utility must distinguish between expenses "above and below (allowable and non-allowable) the line." Those expenses "above the line" are part of rates charged to customers.

NARUC has established certain accounts related to Other Income and Deductions as "below the line" items. These revenues and expenses are excluded from a Company's operating income and are therefore

charged to the owners or stockholders. In some cases, these revenues and expenses are inappropriately booked “above the line.” This is often discovered during rate case examinations. It is the policy of the ORS to recommend the disallowance of these items from a Company’s “net operating income for return” calculations. The following is a partial listing of “below the line” items excluded for ratemaking purposes:

1. Expenses paid by the Company for the benefit of its owners (personal business);
2. Social dues, charitable donations and sponsorships (sports teams and other events);
3. Legislative and lobbying activities and Political Action Committees;
4. Abandoned projects (unless otherwise ordered);
5. Image-building advertising (safety-related advertising is allowed);
6. Employee clubs and benefits that are recreational (fitness, etc.); employee newsletters;
7. Parties (Christmas, accomplishment, retirement, birthday, etc.), gifts and awards (service awards, Christmas gifts, birthday, employee incentive awards, etc.), flowers, candy, luncheons and banquets;
8. Chamber of Commerce dues and expenses (remove one-half of such expenditures (Docket 93-503-C), membership dues to non-professional organizations (luncheon clubs, country clubs, athletic and social clubs, Lions, Rotary, etc.) Remove lobbying portion of dues to trade and technical associations;
9. Employee meals without specific documentation of business purpose (travel, overtime, etc.);
10. Novelty or image-building items (combs, rulers, calendars, caps, t-shirts, mugs, etc.);
11. Interest expense (except interest on customers’ deposits for water and wastewater utilities);
12. Penalties, fines, late-payment charges; and,
13. Items considered to be lavish and extravagant (liquor, etc.).

Sources: ORS Audit Programs and Public Utility Accounting: Theory and Application, Sueflow.

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