

## RE-SERVICE ILLUSTRATION

The following illustration demonstrates the intent of Section E.3.b. of the Tariff.

### Example Case:

A meter is currently active on a tract of land and serves a 3-bedroom house. The meter and service has been active for several years. The original cost of the service to this property included a \$100 Membership Fee, a \$250 materials and labor charge, and a \$500 Equity Buy-In Fee.

The Buy-In Fee is the Corporation's estimated cost of production, storage, and distribution capacity lost when the customer was added. This Buy-In Fee is assessed to defray the cost of replacing the lost capacity to meet future growth needs. The purpose is to keep the rates down for existing customers. This is accomplished because the Buy-In Fee eliminates, at least in theory, the need to borrow money to expand the system.

The Corporation currently has a Service Availability Charge of \$12.00 and a Reserved Service Charge of \$10.00 per month. The Service Availability Charge is assessed for active metered accounts and covers the cost of service to that customer. The Reserved Service Charge is assessed for active non-metered accounts and covers the same costs for metered accounts except meter reading, billing, and maintenance costs which cannot be attributed to non-metered accounts.

The Reserved Service Charge is the monthly cost for holding capacity that would otherwise be available to paying, active accounts. This supports the concept that all water systems have limited capacity and therefore cannot reserve service without compensation for anyone who might otherwise restrict the utility from adding a paying customer.

The house has been vacant for six months and the Member is behind on his water payments approximately \$120.00. The Corporation locked the meter after the first month of delinquency and is now liquidating the \$100.00 Membership Fee. A \$20.00 balance remains on the account at the time the account is inactivated.

Because the former Member paid a \$500.00 Buy-In Fee on the tract of land on which the meter was set, the Corporation cannot charge this fee on this tract again. However, the Corporation cannot reserve system capacity or service at this location without some charge for reserving the capacity or service. We can assume that since a house exists on the tract of land, there is a good possibility that someone will want service at that location. It would be good business on the part of the Corporation to reserve service capacity for this location. However, we cannot reserve service without charging for reserved service.

The solution to this problem is to set up an accounting system for these types of inactive accounts. Each inactive account, like this hypothetical case, could be debited monthly an amount equal to the Corporation's Reserved Service Charge. The debit balance would accumulate monthly until such time as the total balance equaled the \$500.00 Buy-In Fee.

At such time as a new Applicant comes in to request service at the property in question, the cost of service would include a \$100.00 Membership Fee, actual cost of labor and materials to reinstall the meter, and whatever balance was showing on the account. If the property remains vacant until such time as the \$500.00 Buy-In Fee is totally diminished, then any new Applicants would be required to pay the prevailing rate of service.

To clarify our example, let's say that a new Applicant comes twelve (12) months after the date of Membership liquidation. There would be then twelve (12) monthly assessments or debits on this account of the Reserved Service Fee. This fee is \$10.00 per month in our example so a total of \$120.00 worth of debits would be due from the Applicant in addition to the \$100.00 Membership Fee and, for example's sake, \$60.00 for the re-installation of a meter in the empty meter box. The total cost of Re-Service to the Applicant would be \$280.00.

While this process may seem complicated, it does allow the Corporation to recover all of its costs of reserving service and sets a time frame for which the Buy-In Fee is held intact for a particular property. However, a more conservative approach is to only charge the Membership Fee, labor, materials cost to Re-Service a property. You may choose this option to avoid any controversy and minimize your bookkeeping efforts.