

**Metropolitan Domestic Water Improvement District
Board of Directors Meeting**

August 11, 2014

Billing Adjustment Policy

Synopsis

The Board of Directors is requested to consider approving an update to the District's policy to address adjustments for customers with leaks or other unexplained high usage of water.

Background

Since June 11, 1998, the District has had a billing adjustment policy. District residential customers could apply for a leak adjustment when a leak or unexplained usage has resulted in a high meter reading. Leak adjustments are calculated by taking half the difference between the high month and the same period in the previous year. Adjustments are normally limited to \$100, and offered once per account.

On February 12, 2001, the policy was modified for residential customers with extreme unaccounted for high water usage to calculate the adjustment using a lower rate in the tiered structure. At the January 14, 2008 meeting, the Board authorized adjustments for commercial account with a not to exceed amount of \$500.

At the July 14, 2014 Board meeting, staff noted that the billing adjustment policy would be discussed with the Finance Oversight Committee to consider making the policy more straightforward.

Issues

Leak adjustments are currently determined on a "case-by-case basis" and the calculation requires a great deal of subjectivity. Customers are limited to one request with a maximum of \$100 credit for residential customers and commercial customers limited to a maximum of \$500.

Attached is the proposed policy that is more objective and allows customers to request an adjustment once every three years. The requested policy would calculate the leak adjustment at the current adopted rate based upon the same tier, for the same month of the previous year. This would ensure that all customers are paying for the water used at a rate that covers the cost of service.

Leak adjustments for the prior fiscal year were all recalculated using the attached policy. The 301 residential leak adjustments issued last fiscal year totaled \$35,085.00. When recalculated using the new policy, the amount of residential leak adjustment issued would have totaled \$32,155.99 with 88 customers receiving a higher credit amount, 17 customers would not have received a credit, and 196 customers would receive less of a credit netting a total difference of \$2,929.01. The 14 commercial leak adjustment issued last fiscal year totaled \$3,900.91. When recalculated using the requested policy, the amount of commercial leak adjustments would have totaled \$3,633.69 netting a difference of \$267.22.

The proposed policy was discussed with the Finance Oversight Committee at its July 28, 2014 meeting. The Committee made the recommendation to move the new Billing Adjustment Policy forward to the Board of Directors as written.

Recommendation

It is recommended that the Board of Directors approve the attached Billing Adjustment Policy. It is recommended that the policy become effective August 14, 2014 when a new billing cycle begins. Staff believes the policy will help make billing adjustments easier to administer as well as easier to explain to customers.

Suggested Motion

I move to approve the Billing Adjustment Policy as presented and that it be effective August 14, 2014.

Respectfully submitted,

Diane Bracken, M.Adm.
Chief Financial Officer

I concur with the above-noted recommendation

Respectfully submitted,

Joseph Olsen, P.E.
General Manager