



## ***SOUTH FEATHER WATER & POWER AGENCY***

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**TO: Board of Directors**

**FROM: Michael Glaze, General Manager**

**DATE: February 10, 2009**

**RE: Amendment of Rules & Regulations – Standby Charge  
Agenda Item for 2/24/09 Board of Directors Meeting**

The current economic crisis has significantly increased the number of bankruptcies, foreclosures and abandonment of residences within the Agency's service area. With each of these comes a request for termination of water service. Notwithstanding the fact that the resident requesting discontinuation of their service is doing so because they will no longer be living in the home and can no longer afford any expense associated with it, our office staff has to explain that the Agency's policies require that, even though the service will be terminated, a \$5.00 monthly standby charge will continue to be billed to the property's account until there is a new owner.

A further complication comes in the case of foreclosures because the ownership of the home is in limbo until the foreclosing bank transfers title to a new buyer (which often does not occur for many months). During the foreclosure process, the previous owner certainly wants not to be responsible for any expenses on a home they have been forced to leave, and the bank wants to minimize its growing losses and, technically, does not assume title to the property other than as trustee. Getting either of them to assume responsibility for a \$5.00 monthly standby charge is virtually impossible, and adding the accumulation of these monthly charges to the escrow account when a new buyer finally takes title is problematic and often not worth the trouble involved.

At least until there is a turnaround in the economy, I am asking that the Board eliminate the standby charge on inactive domestic water accounts. The average annual revenue from this source over the past three years has been \$5,600.

This charge was added in 1996 when we were aggressively replacing old steel pipe throughout the district. As part of the construction, services that had previously been discontinued, or that had been installed to vacant lots and never placed in service, had to be connected to the new main lines being installed. It seemed prudent at the time to implement the standby charge on inactive services to provide funding for future maintenance they might require.

The real estate boom several years ago resulted in most of the inactive services being placed in service. Parcels with water service already installed and ready for a building permit became highly desirable as sites for new homes or remodeling projects. Most, if not all of the discontinued services that were discovered as part of the steel pipeline replacement project, have since been replaced and put into service. Now, most of the inactive accounts are the result of the aforementioned downturn in the economy.

To affect the proposed elimination of the monthly standby charge, a number of sections of the Rules and Regulations would need amending. The proposed amendments are shown in **blue font**, below.

***Part A, Section 13C – Continuation of Monthly Service Charge***

The monthly service charge assessed to all accounts is for expenses incurred by the Agency which are not related to amount of usage - account maintenance, administration, distribution system maintenance, fire flow, etc. These expenses continue throughout the year regardless of the volume any specific account uses. It is appropriate, therefore, that the monthly service charge be applied to each account on a monthly basis, regardless of usage, unless service is discontinued.

Unless water is unavailable for a period of time in excess of thirty (30) days, or unless service is physically discontinued by Agency personnel - at either the owner's request or the Agency's own initiative - the monthly service charge shall continue to be assessed to each account.

Active accounts not only pay a volumetric fee for water consumed, but also a service charge which, in addition to other expenses, funds the maintenance of the service line on the Agency's side of the meter. ~~Therefore, if the owner requests that their service be discontinued, a monthly standby charge will begin being billed to the account to fund future maintenance on, and repairs to the service line between the main and the meter set. At the owner's request, the standby charge may be waived upon their execution of a statement (1) authorizing the Agency to disconnect the service line from the main in the future event of a leak or maintenance problem, and (2) acknowledging financial responsibility for reconnecting or replacing (at the Agency's discretion) the service line if and after it is disconnected.~~

***Part A, Section 17 - Service Line Replacement***

Whenever it is known to Agency personnel that scheduled work on a main line (replacement, leak repair, branching, etc.) will require disconnecting a service line for an account that has been inactive for more than twelve (12) months, the owner of the affected property will be notified in writing and advised that their service line ~~will be~~ disconnected. ~~The notice will provide two options for the owner:~~

- ~~(a) to have the Agency reconnect or replace (at the Agency's discretion) the service line at no expense to the owner and begin paying a standby charge (if the account is not already being billed a standby charge) until service reactivation is requested; or,~~
- ~~(b) to authorize the permanent disconnection of the service and to be responsible for the expense of reconnecting or replacing (at the Agency's discretion) the service line, if needed in the future, in accordance with the Agency's Rules & Regulations, except that a System Capacity Charge will not be levied if it had been previously paid.~~

~~For emergency work on a main line which requires disconnecting a service line for an account that has been inactive for more than twelve (12) months, or when the existence of a service line for an account that has been inactive for more than twelve (12) months is not known to Agency personnel and its disconnection is required as a part of scheduled main line work, the owner of the affected property will be notified in writing that their service line has been disconnected.~~ If the property owner requests that service be reactivated within six (6) months of the date of the service line disconnection, it will be

reconnected by Agency personnel at no expense to the property owner. If service reactivation is not requested within six (6) months of the date of the service line disconnection, the property owner will be responsible for the expense of reconnecting or replacing (at the Agency's discretion) the service line, if needed in the future, in accordance with the Agency's Rules & Regulations, except that a System Capacity Charge will not be levied if it had been previously paid.

When a customer's service line and meter are moved to a new location as part of a Agency maintenance or pipe replacement project, the Agency will guarantee the new line against defects or failure for a period of one year from the date the relocation is completed. Thereafter, the property owner will be responsible for its maintenance or replacement, as specified in Section 23, hereof.

**Part A, Section 25H – [Backflow] Testing and Maintenance**

1. Each backflow prevention assembly must be kept in working order, which requires testing and/or inspection at least once each year.
2. The Agency will perform all preventive maintenance and testing of the device at a cost established from time to time by the Board of Directors. Repairs - including parts and labor - will be made on items considered to be from "normal deterioration," but will not cover the cost to repair vandalism. The Agency will perform annual testing and file the required reports with the State Department of ~~Health Services~~Public Health.

A monthly charge for maintenance and testing of the device will be added to the property owner's water bill in accordance with the schedule - 'Backflow Maintenance Charges' - shown at the end of these Rules and Regulations. Said monthly charge will not be assessed to inactive accounts.

4. Approval must be obtained from the Agency before a backflow prevention assembly is removed, relocated, or replaced. Any expense incurred by the Agency regarding such actions will be the responsibility of the property owner.
  - a. Relocation: An assembly may be relocated following confirmation by the Agency that the relocation will continue to provide the required protection and satisfy installation requirements. A retest will be required following the relocation of the assembly.
  - b. Repair: An assembly may be removed for repair, provided the water use is either discontinued until repair is completed and the assembly is returned to service, or the service connection is equipped with other backflow protection approved by the Agency. A retest will be required following the repair of the assembly.
  - c. Replacement: An assembly may be removed and replaced provided the water use is discontinued until the replacement assembly is installed. Agency personnel will perform all replacement.
5. If a service ~~is rendered~~becomes inactive after a backflow device has been installed, and it remains the responsibility of the property owner to notify the Agency that a problem exists~~inactive for more than 12 months, the Agency may remove the device to minimize future maintenance efforts and expense. The service may not be reactivated until the backflow device is reinstalled, and the cost to reinstall the backflow device (labor, equipment and incidental parts – not the cost of the device) will be charged to the account upon its reactivation.~~

**Part D – Water Rates, Potable Water**

~~Inactive Account Standby Charge (per month)~~.....\$5

To affect the proposed elimination of the monthly standby charge, the following action would suffice:

**"I move approval of the amendments to the Rules and Regulations to eliminate the monthly standby charge and backflow maintenance fee for inactive domestic water accounts as proposed by the General Manager."**