FIELD EMPLOYEES SEMINAR
By: Jim Ellars

On behalf of the Engineering Division and the Water and Wastewater Division I would like to extend an invitation to attend the upcoming Field Employees Seminar. This seminar will be held November 9, 2000, Days Inn, Flatwoods. The seminar is open to all utility field employees, plant/system operators, and technicians. The focus of this seminar will be on water distribution and sewer collection systems. Listed below is a preliminary schedule of topics to be covered:

**Water Topics**
- Meter Testing
- Basic Hydraulics
- New Bureau of Public Health Standards
- New Operating Regulations - Bureau of Public Health

**Sewer Topics**
- Basic Hydraulics (open channel and pressure pipes)
- Inflow/Infiltration Programs and Odor Control

**Common Topics (for both water & sewer employees)**
- Implementing Preventive Maintenance Programs
- General Discussion/Question & Answer Session

Approximately six weeks prior to the date of the seminar, registration information will be mailed to all PSD’s, Municipality’s and Homeowner’s Associations. In the meantime, if you have any questions or comments regarding this seminar, you may contact Drema Witt, (304)800-344-5113, Ext. 440 or (304)340-0440.

Part III: How Does The Operation Of Your Water Utility Stack Up Against Your Competition

This article is presented by Amy L. Swann and was written by Neil V. Callahan, Sr. Consultant with R. W. Beck, Inc.

Editor’s note: The following is the third of a three part series on competition and its impact on the once monopolistic water utility industry. The first part explored the market drivers in the industry that are contributing to the trend toward increased competition and privatization. The second looked at ways to assess your utility’s competitiveness. This installment provides ways for your utility to become more competitive. Competition Sharpens When ‘Continuous Quality Improvement is Sought In a competitive market, the buyer always has an eye out for the new and improved product. Cheaper, faster, better is the expectation of the smart consumer. Consequently, just to maintain your position in the competitive market place you have to continuously seek to improve performance. These business principles also may be applied to the management of water utility. One way a number of industries have addressed this need is to set a business objective of “Continuous Quality Improvement.” CQI is the systematic looking at work processes and physical processes to identify how to become more productive or efficient. The first step in the process is to identify the area of work that, if improved, can produce the greatest gains in efficiency. There are business...
school courses, self-help books and management consultants that can assist you with quality management.

How Are You Measuring Up Against the Best of Your Competition? A competitive assessment is a strategic examination of a utility and its environment to determine how effectively the utility delivers its services compared to other local and “best of class” utilities. There are a number of issues, some of which are listed below, that a utility may need to assess to determine its competitive position. Some utilities strategically assess some or all of these issues on an on-going basis. Others periodically assess their market position, and some believe they are happy monopolies with no competition. In any case, competitive assessments can be undertaken with cross-functional teams comprised of board and management, management and staff, and customers and utility staff or external resources. Some of the tools used to perform competitive assessments also are listed below.

Tools to Assess Your Competitiveness - When assessing a water utility’s competitiveness, issues looked at include: financial health, privatization, external sales of services, municipalization, mergers and acquisitions, comparative performance, regionalization, revenue enhancement, staffing assessments, and customer satisfaction. The tools a water utility may use to assess its competitiveness include benchmarking, water quality, customer service, and organizational structure. Performance may be further judged using customer/stakeholder surveys, and structured interviews.

Management Audit Assesses Efficiency of Business Process - A management audit is a structured approach to assessing the effectiveness and efficiency of the utility’s business processes. The fundamental question asked is “What is our performance in this area, and can we make changes to this process that will make us cheaper, faster, better?” Due to the fact that the objective of a management audit is to find inefficiencies that exist within a system, the need for an independent perspective most often dictates the use of a consultant. Listed below are areas most often addressed in a management and operations audit. Some of these items target cost savings, some target improved performance, and some are new non-traditional activities for water utilities that may not be perceived as being necessary . . . yet. *Outsourcing *Cross-training *Incentivized work force *Safety performance *Performance orientation *Budget information availability *Activity based cost accounting *Staff reductions via attrition *De-institutionalize overtime *Shared service/equipment agreements *Cooperative purchasing *Comprehensive energy analysis *Regulatory compliance management *Program customer communication program *Image marketing *Community outreach.

CCRs Water Industry Facing Unprecedented Period of Change - The water industry is facing an unprecedented period of change due to the competitive pressures that result from the existence of alternative service delivery options. No sector of the water industry is immune to these pressures. The only question seems to be the rate and the causative agent for the change.

Competition from privatization can be a radical form of change. Privatization will be an increasing factor in the water industry due to its focus on gaining a competitive advantage over existing service providers. Utilities are increasingly looking to adopt entrepreneurial skills and seek out and take steps to make themselves as competitive as possible. Utilities assessing their competitive position and strategically planning improvements do not face an easy task. Implementing a change successfully requires more than simply a desire to change. Change involves risk, the breaking of habits, the loss of comfortable familiarities and a willingness to try new approaches. Effecting a change requires a plan involving responsibilities, communication, training, performance monitoring, and an assessment of successes and failures. Will you and your utility be ready for the challenge?
Alternate Mainline Extension Agreement

By: Jim Spurlock

Petitions to the Commission seeking approval of alternate mainline extension agreements often result in a utility, after Staff's initial review of the agreement, modifying or rewriting an agreement so that it addresses additional issues, or contains particular language that is necessary for the Commission's approval. It can become a cumbersome process for a utility to draft an agreement to satisfy all criteria, if it is unknown beforehand what Staff is looking for in an agreement. The purpose of this article, therefore, is to share a listing of the guidelines used by Staff to evaluate an agreement.

**Specify:**
- Names of the developer or mobile home park owner or names of prospective customers.
- Name and location of development or name of mobile home park or names of prospective customers.
- General location of the area to be served using roads and highways as reference
  - The number of prospective customers involved in the extension, or the number of lots, or some general idea of size (such as how many feet of main) should be given.
- A general description of the extension, including approximate lengths of main with diameter. Include any major components such as fire hydrants, pumps, etc.

**Rules:**
There should be language in the agreement stating that the developer, owner, or prospective customer
1) Has read Sewer Rule 5.3 or Water Rule 5.5, whichever is applicable, in its entirety.
2) Understands the Rule.
3) Chooses to use the alternate mainline extension plan.
4) If the developer is waiving reimbursement, the agreement should say so.
5) A copy of the Rule(s) must be attached to the Agreement.

**Construction Inspection and Testing:**
The agreement should state:
Whether there will be a cost for inspection to the prospective customer, developer, or mobile home park owner, or if the utility will perform inspection at no cost. If there will be a cost, then a "not to exceed" dollar amount should be given.

Likewise, the agreement should state if there will be a cost for testing, and, if so, a "not to exceed" dollar amount given.

**Service Connections:**
The agreement should specify which party will install service connections. The agreement should state whether a tap fee is to be charged. A utility should only charge a tap fee if the utility installs the service connection, and the tap fee should be in the utility's tariff approved by the Public Service Commission.

**Legal:**
The agreement should state that the utility is indemnified and held harmless against any claims for injuries and/or damages that arise from construction of the extension by the prospective customer(s) or developer, if they are to construct the extension.

The agreement should state that ownership of the extension will be conveyed to the utility prior to connection to the utility's system.

**Miscellaneous Requirements:**
1) Plans may by required by the PSC.
2) A current cost estimate from the utility or a waiver by the developer/customer of their right to a cost estimate should be filed. A cost estimate may also be required at the PSC's discretion.
3) The agreement should provide a 1 year warranty from the date when construction is completed, or the system is placed in operation.
4) The agreement should not be signed before being submitted to the Commission.
5) The agreement should state which party:
   ✓ will obtain and pay for all permits
   ✓ is responsible for plans
   ✓ will construct the extension
   ✓ will provide material

These guidelines are not all-inclusive. In particular cases, Staff may seek additional information. However, if an agreement is drafted to address these guidelines, it will help the utility minimize revisions, and will assist the Commission in timely completing its review.
Each utility, including municipal water and sewer utilities, is required to have a written, uniform policy for adjusting bills where leakage has occurred. I have provided Water Rule 4.4.3., Sections a. through e. in its entirety. Sewer Rule 4.3.7. mirrors the water rule.

a. Each utility shall develop and implement a written policy concerning the adjustment of customer bills where the bill reflects unusual usage which can be attributed to the customer's side of the meter. Leaking commodes, dripping faucets, malfunctioning appliances and similar situations shall not constitute leaks which entitle the customer to a recalculated bill. The policy shall be maintained in the utility's office for inspection by the public and shall be applied in a uniform, non-discriminatory manner to all customers.

b. The policy shall provide for a recalculated bill to reflect the utility's incremental cost of treating or purchasing the water for all amounts above the customer's historic usage.

c. As an alternative to using incremental cost of treating the water, the utility may as an option, use an adjustment which allows it to recover the Commission's estimate of “typical incremental cost” per thousand gallons of water on usage above the historic usage. The Commission shall, from time to time, establish its estimate of “typical incremental cost” by order.

d. However, in future rates cases, the utility’s incremental cost of treatment shall be determined and the rate placed in an appropriate tariff as the leak adjustment rate. After a rate has been determined in a rate case, the utility shall not have the option to use the Commission’s estimate of “typical increment cost” found in 4.4.3.c.

e. The water utility shall, after determining that a leak adjustment shall be made, notify the sewer utility of the amount of the adjustment in gallons and the reason for making the adjustment. The sewer utility should credit the customer with the full tariff price above historic usage for water leaks which do not enter the sanitary sewer system.

What is “historic usage?” In Case No. 96-1246-PWD-T (Reopened), the Commission declined to set specific guidelines for determining historic usage. The Order states that historic usage must be done on a case-by-case basis. The Order further stated that it would be acceptable to the Commission if the utility would base historic usage on the same period one year ago, provided that this usage was not abnormal. In other words, if you go back to the same billing period one year ago, do not use this usage if a leak occurred during that month. Use the next normal period. For customers who do not have a year’s usage, the manner in which you calculate historic usage is up to your utility. Just be consistent.

The wording of the policy is up to the utility. The Commission’s rules only require that the policy:

1. be applied in a uniform, non-discriminatory manner.
2. be maintained in the utility’s office for inspection by the public.
3. have an incremental cost for adjusting leaks. As an alternative to this incremental cost, the utility may use the Commission’s “typical incremental cost,” which is $1.00 per thousand gallons for sewer utilities and $0.75 for water utilities. These costs were established by General Order 186.8 (sewer) and General Order 188.12 (water). Note: Municipalities must use the typical incremental costs stated above until they enact a leak adjustment rate by Ordinance which reflects their actual cost and file it with the Commission.

The formula for calculating your utility’s incremental cost for leak adjustments depends upon whether you purchase water or sewage treatment or whether you produce your own water or treat your own sewage. I will provide an example below, but it is advisable to contact the Water and Wastewater Division’s Assistance Section for help. The numbers and dollar amounts are fictitious.

- Purchased water: $25,000
- Power purchased for pumping: 4,000
- Cost of chemicals added: 1,000
  - Total (A): $30,000

- Gallons sold (000) (B): 40,000

The leak adjustment rate is (A) divided by (B), which is $0.75 per thousand gallons.
Although the Water and Wastewater Division of the West Virginia Public Service Commission is not in the business of “micromanaging” public service districts, we do observe the overall operation and make recommendations from time to time. Recently Staff conducted a rate case audit on one of the larger public service districts and discovered that the employees did not have an adequate retirement plan, although the customer base and revenues would support this benefit. Even after PSC Staff met with district board, the board still refused to provide this benefit. Instead, the district board opted to stay with a very small 401K plan that is essentially a savings, not a plan that is adequate for retirement.

There is no doubt that some of the small public service districts simply do not generate revenues sufficient to provide retirement and health insurance for their employees. But for those who can, Staff encourages the Boards of these districts to attempt to provide benefits that their employees deserve and benefits that will attract and retain the caliber of individuals that are so badly needed in these jobs that serve the public.

The beginning of a new school year will soon be here, and that means children will be running enthusiastically from buses, playgrounds and the school house. So be very alert when driving near a school and watch out for the school buses. After all, the children are our most valuable resource.
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