

## LATE FEES AND DISCONNECTS

We are receiving more and more calls from systems requesting assistance with rate studies. This could be considered a good thing in that many systems are trying to generate the appropriate revenue to meet expenses. The bad side is that it means systems are behind on their revenue.

One thing that has been noticeable with many systems that we have done rate studies for previously is that the actual revenue generated is short of what was projected. The first thing that comes to mind is that the amount of water actually sold is short of projections. The next figure we will look at is to see if the no. of customers has declined. More often than not, we find that these figures are usually fairly accurate. What then could be the reason for the revenue shortfall?

If you guessed unpaid accounts, you are 100% correct. When we conduct a rate study, we figure the no. of users; the units of water sold, and use the total of the two for total projected revenue. In a perfect world, we would be correct every time, but we all know that is not the case. The impact of unpaid accounts or late paying customers varies from system to system. Many systems have penalties or fees in place to address the issue. The problem is, many times these rules are not enforced. If a customer is having a rough time or has a legitimate excuse it can be o.k. to relax the rules. Many times though, it isn't that the customer can't pay, it is that they choose not to. It is a matter of priorities. They choose their cable T.V., Cell phones, Internet etc, over their local utility bill. Often times this is because they don't believe their local water system will actually shut their water off. They know darned well the larger utilities will shut them off! This is where a local utility must be run like a business. **ALL UTILITIES, REGARDLESS OF SIZE NEED TO HAVE A FAIR POLICY ON LATE PAYMENTS AND DISCONNECTS/RECONNECTS AND ADHERE TO IT!**

Another issue that many utilities face is the seasonal customer. The customer that is only around for 6mos. or so per year. These people feel that if they are not using the service, they shouldn't have to pay for it. The problem is, the system had to be built to accommodate them when they are using it. Systems that have a significant no. of this type of customers need to implement a policy that addresses the issue. This is especially true if the system has a fair amount of debt. The debt payment should be shared as equally as possible among all users. **If I borrow money to purchase a camper or boat, and don't use it in the winter time, my banker still wants his payment!**

NeRWA has some sample ordinances and policies on disconnects, and late fees to assist you, if you feel you need to upgrade your current policies. Before implementing any policy relating to the above issues, be sure to consult with your attorney to be sure your policies are legal and can be enforced.