

SUBJECT

BOARD RESOLUTION NO. 19-444

Pertaining to the adoption of a Leak Adjustment Policy to provide partial relief for customers who have experienced a high usage charge due to a catastrophic leak at a point beyond the water meter.

BACKGROUND INFORMATION

At its June 5, 2018 meeting, the Board discussed customer's responsibility for leaks in private property. Commissioner Noecker lead a sub-committee to review the SPRWS process and possible policy.

See attached Report dated February 21, 2019 and Leak Adjustment Policy.

RECOMMENDATION

REPORT

Leak Adjustment Policy

February 22, 2019

Saint Paul Regional Water Services staff was asked to explore the concept of a Leak Adjustment Policy for customers who have experienced a high usage charge due to a catastrophic leak at a point beyond the water meter.

Staff was not able to identify any city within the State of Minnesota that has a leak adjustment policy/program. However, based on water industry survey data, Staff identified several water utilities across the country who have a leak adjustment policy. We reached out to these utilities to understand eligibility parameters and criteria to assist us in policy development.

Staff presented to the subcommittee guidelines and calculations based on information gathered. These guidelines and calculations were modified as requested and then developed into the attached proposed Leak Adjustment Policy.

This policy is being brought before the Board without any recommendation by the sub-committee.

Pros:

The policy provides partial relief to a property owner faced with high water charges.

All property owners will have access to this "safety net". The policy does not define eligibility on financial need or on the dollar value of a water bill.

The policy promotes SPRWS goodwill as it projects an image of caring and concern for the customer confronted with an unusually high-water bill due to a leak.

The policy would give SPRWS an opportunity to educate those who have catastrophic leaks in proper plumbing practices to avoid such unnecessary water usage.

Cons:

We currently have a very clear, objective process ... "bill water measured by the meter". The policy will introduce subjectivity. A very clear decision tree will need to be developed that provides a fair and equitable process. However, no matter how comprehensive such a decision tree would be, there is no way to guarantee that fraudulent requests for billing adjustments could be approved.

The policy may present challenges for tenants where the water bill is paid by the tenant. This is because the policy requires active participation of the property owner. [However, property owner should recognize that unpaid bills will be certified to property taxes.]

It was identified through the survey the cost of this program could require an increase of \$.01-\$.03 per unit of water (\$165,000-\$495,000 annually).

The policy does not preemptively promote conservation and undermines the importance sound household plumbing has in the practice of using water efficiently to reduce unnecessary water usage.

The policy reduces the importance of an immediate repair. Necessary repairs may not be considered as much of an emergency as it should given that such usage could be removed from billing as an adjustment.

Risks:

This policy is not retroactive. Customers that have experienced a leak prior to the policy being implemented may ask for adjustments or initiate a lawsuit.

While the policy limits eligibility to once every 5-years, customers may bring additional requests.

Our current tort claim process could be compromised being we are giving credits for something we did not have control over, similar to many of our claims that we currently deny.

The policy may bring pressure for sewer utilities to consider a leak adjustment policy.

Alternative:

Leak adjustment could be handled by the new hearing officer process, where on a case by case basis, a recommendation to bring closure to disputed bills will be brought for Board consideration. The Board will act to either approve, deny, or adjust the disputed charges.