

In This Issue

- Low Use Accounts

The NRW Problem:

Millions of Gallons of Non Revenue Water

Millions of Dollars Spent On Treating a Symptom Rather than Solving the Problem!

Not all Meter Replacement Programs are Cost Effective!

Not All Leak Detection Programs Are Successful!

JBS Offers Cost Effective, Long Term Solutions!

"Our revenue increase was nearly double what was projected."

JBS Completes Meter Management and Water Loss Projects

- Leon, Mexico
- Gastonia, North Carolina



King Mountain area – Gastonia, NC



October 21-23

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The Impact of Low Use Accounts on Revenue

The results of a successful NRW Project should have a positive impact on water conservation, as well as revenue. Revenue impact may be in the form of reduced operational costs or increases in revenue associated with customer metering. However, we know that some NRW that is associated with metering does not generate additional revenue. There are at least two reasons that cause this condition.

- 1) Low Use Accounts that use the minimum allotment or less each month are defined by the minimum bill charge (if a minimum bill allotment is provided in the rate structure).
- 2) Large Meter Accounts that require downsizing when a meter demand charge exists. When downsizing meters, a reduced monthly minimum bill will occur. When meters are downsized, the intent is to capture additional usage that is not registering on the larger meters. An increase in commodity revenue will have to offset the reduced minimum bill difference. In many cases, this offset will not occur.

This newsletter reviews the financial impact of low use accounts. In our next newsletter we will look at revenue impact of meter downsizing.

As stated above, a "low use account" refers to a customer that uses less than or equal to the water volume provided with the minimum bill charge. Many utilities provide anywhere from 1,000 to 5,000 gallons with the minimum bill charge. If a minimum allotment is not provided with the minimum bill, then we consider a low use customer one who uses 2,000 gallons per month or less. The higher the allotment, the harder it is to justify meter



Is a Meter Sizing Problem contributing to lost Revenue?

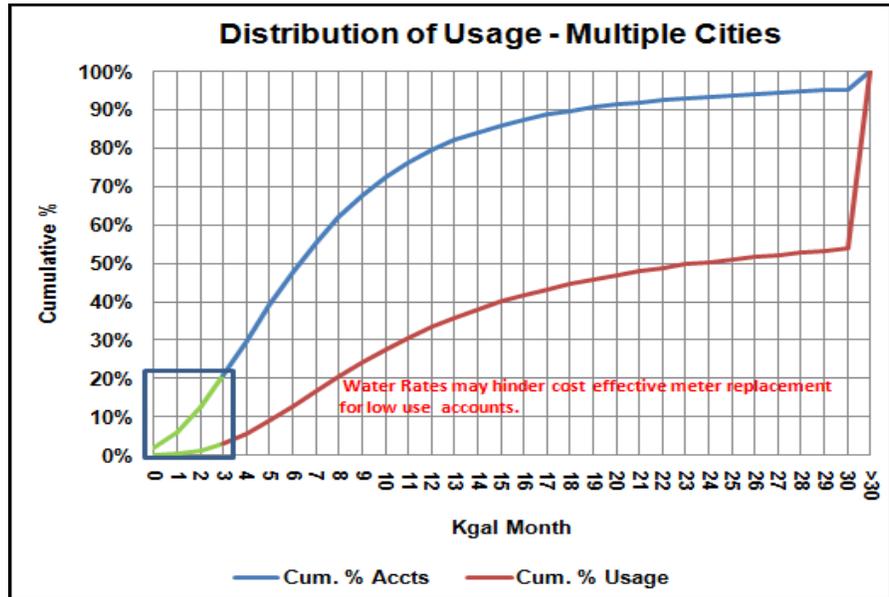
"We had a 10 times payback the first year by following the recommendations of the Water Audit."

**Contact Us:
4715 Strack Road
Suite 114
Houston, Texas 77069
(281) 435-2780**

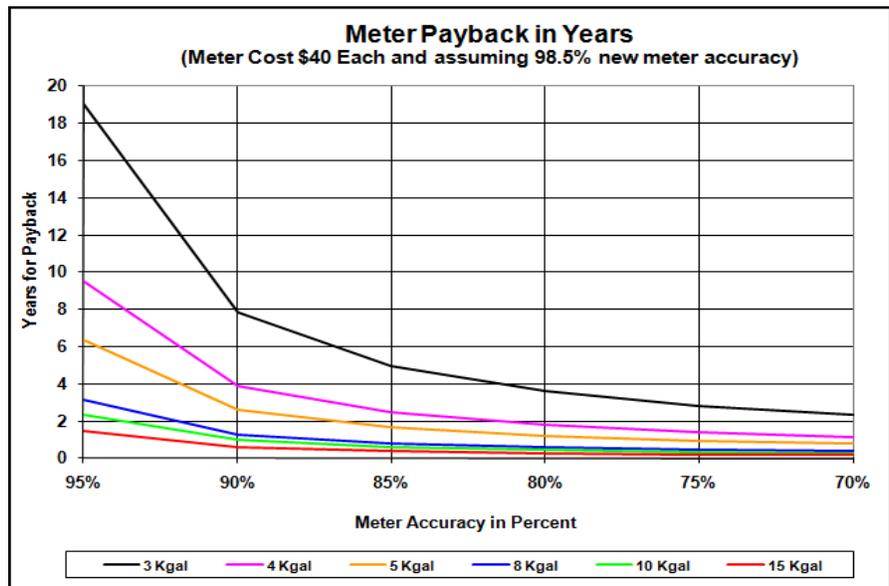
**www.jbswater.com
jbsmith@jbswater.com
jaschiele@jbswater.com**

replacement. Why? The only revenue generated is from the minimum bill charge - Zero commodity revenue.

Since 2004, we have reviewed over 1.3 million metered accounts. The following chart shows the combined Distribution of Usage for about 500,000 accounts that had minimum bill allotments of two or three thousand gallons. The chart shows that approximately 13% consume 2,000 gallons per month (65,000 accounts) or less and 20% (100,000) use 3,000 gallons or less. These low use accounts consume only 3% or less of the water, while the top 5% of users consume 46%. Due to the minimum bill allotment, it may be impossible to have a meter payback on these thousands of low use meters.



The following chart illustrates the number of years required to pay back the capital cost of a small meter when a 2,000 gallon minimum allotment is provided, and a water and sewer rate is set at \$5/kgal. A local register cost of \$40 was used.



When projecting estimated paybacks for meter replacement programs, utilities need to consider: (1) How many low use accounts exist and what type of payback, if any, might be realized for these accounts. (2) Why are these accounts low use? - Is meter accuracy or demographics the determining factor? (3) How many large meter accounts are considered low use? These accounts are critical and must be identified.

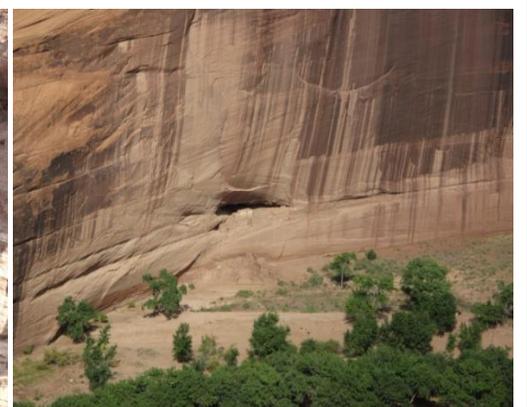
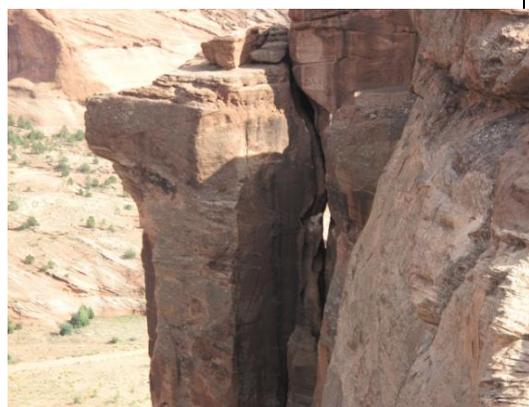
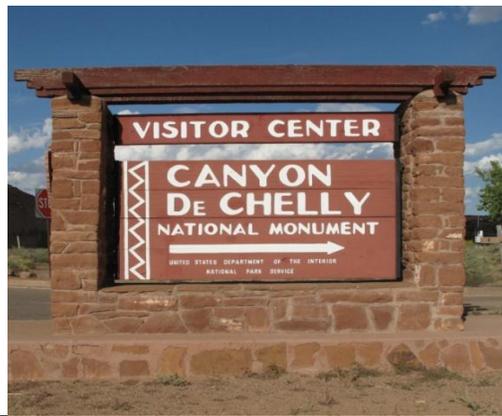
Utilities should implement an in-depth water audit and not just a "paper" audit.

In this time of fiscal concerns, the cost benefits and revenue enhancements derived by conducting a full system Water Audit are more crucial than ever.

In Conclusion: A solution to this problem is to eliminate the water allotment provided with the minimum bill charge. This may not be politically feasible, but all meters would now be revenue producers.

Water and sewer services are the least expensive commodities that we have in the United States. Many people take water and wastewater services for granted. Users are accustomed to having high quality water delivered to their homes 24 hours a day, without interruption. The minimum allotment as part of the minimum bill charge makes meter replacement payback difficult for these low use accounts. The above chart illustrates that it would require nineteen (19) years to justify meter replacement on an account consuming 3000 gallons per month at 95% meter accuracy.

The following are a few pictures taken on a September bicycle trip to the Navajo Indian Reservation in NW Arizona and Canyonlands area of Moab, Utah.



JBS Associates
4715 Strack Road
Suite 114
Houston, Texas 77069
(281) 435-2780

www.jbswater.com
jbsmith@jbswater.com
jaschiale@jbswater.com

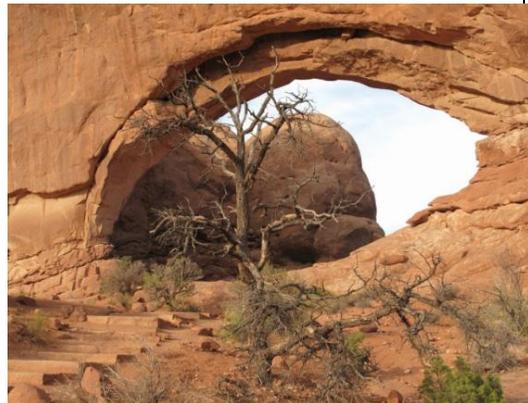
JBS Does Not Sell Products or Participate in Revenue Sharing Programs.

We have nothing to gain from our recommendations, but their successful implementation by our clients.

**SEE US AT THE TML
CONFERENCE
BOOTH #922
OCTOBER 21-23**

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jaschiale@jbswater.com



JBS offers a no-fee cost analysis for utilities. This review establishes the cost benefits of conducting a full Water Audit-Meter Management Analysis. Contact us for further information. We look forward to sharing our insight and experience with you through these newsletters. We would appreciate your feedback on any topic via e-mail to jbsmith@jbswater.com.