

WATER UTILITY REFERENCE MANUAL

Revenues

Common Types of Metered Sales

For water utilities, the majority of revenue comes from metered customers, which is recorded under Account 461, Metered Sales to General Customers. The six customer classifications, and sub-accounts, used by the PSC are defined below.

- Residential (Account 461.1) – customers that have water service provided for residential or domestic purposes. Sales to multiple-dwelling buildings through a single meter serving three or more family units are classified as multifamily residential.
- Commercial (Account 461.2) – a business, not-for-profit organization, or other institution (except governmental) that provide goods or services and that takes service for non-residential purposes. Churches, private schools, private colleges and universities, co-ops, and associations are non-governmental entities and are considered commercial customers.
- Industrial (Account 461.3) – those customers engaged in the manufacture or production of goods.
- Public Authority (Account 464.4) – an agency of the local, state or federal government, or a local, state or federal entity. Since public schools are governmental, they are classified as public authority.
- Multifamily Residential (461.5) – customers taking service for a building that is intended primarily for residential or domestic purposes, has three or more dwelling units, and is served by a single water meter. This classification also includes mobile home parks that are master metered. Mixed-use commercial properties, such as apartments mixed with retail, are classified as commercial.
- Irrigation (Account 461.6) – customers that have water service provided primarily for irrigation and other outdoor uses. Irrigation is the use of water to sustain crops, lawns, or landscapes, including water used on athletic fields, parks, and golf courses. This account is used only when a utility has established a separate rate for irrigation customers.

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Unmetered sales to general service customers are reported under Account 460. The correct accounts for unmetered water sales to Residential, Commercial, Industrial, Public Authority, Multifamily Residential, and Irrigation customers are 460.1, 460.2, 460.3, 460.4, 460.5, and 460.6 respectively.

Utilities may establish additional customer classifications, subject to PSC approval. However, for reporting purposes, utilities must consolidate sales and revenue into one of the subaccounts defined above.

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Other Types of Metered Sales

- Sales for Resale (Account 466) – also referred to as wholesale customers. This account is for sales to other water utilities that resell the water to other customers on a retail basis.
- Interdepartmental Sales (Account 467) – sales to other utility departments regulated by the PSC. Sales to sewer departments are included in this account if the sewer operations are regulated by the PSC; otherwise, Account 461.4 is the correct classification.
- Bulk Water Sales (Account 460 or 461) – sales to customers that usually occur through a hydrant or tank truck. If the sales are metered, Account 461 is used; if the sales are unmetered, Account 460 is used and the volume of water sold must be estimated.
- Water Utility Use (no account) – usage at a water treatment plant, for water main flushing or other utility purposes. This usage must be tracked, either by metering or by estimating, and recorded so that unaccounted water can be better calculated. Usage in parks and sewer flushing is not considered water utility usage and must be billed to the municipality.

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Metered Customers – Special Rates

Metered customers may have special situations that a utility must be aware of in order to bill them correctly and account for the revenue properly. The two most common types of special situations are seasonal customers and customers with a second meter.

- **Seasonal Customers** – A seasonal customer is one that stops its water service for a short period of time, typically several months of the year, but then resumes water service. The best examples of seasonal customers are residents that move south to a second home for the winter, small businesses that close in the winter, and parks that only use water during warm months. Although the language may vary, almost all utilities have tariffs specifying that seasonal customers are billed the service charge every billing period. If a utility bills quarterly, this means a seasonal customer is billed four service charges just like any other general service customer. Revenues from seasonal customers are recorded in Account 461.
- **Second Meters** – In some communities, residential and small commercial customers may choose to install a second meter to measure water that is not discharged to the sewer system. The customer is then billed sewer charges only on the water that is discharged to the sewer system. Typically this means a customer can avoid paying sewer charges on water that is used outside for sprinkling, washing cars or other uses. If the second meter is owned by the water utility, the customer must be charged under an approved tariff. If the water and sewer operations are both regulated by the PSC, the second meter must be owned by the water utility. The revenue collected for second meters is recorded in Account 474, Other Water Revenues.

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Public Fire Protection

Wisconsin Statutes section 196.03(3)(b), effective August 1, 1988, mandates that the utility public fire protection (PFP) charge be included in the water utility bill of each customer unless the municipality adopts a resolution to pay the charge. Charges placed on customers' bills are referred to as direct PFP charges while an annual charge to the municipality is typically called a municipal PFP charge. The municipality usually obtains the money needed to pay a municipal PFP charge through property taxes.

Municipal Charge

If your municipality has adopted a resolution to pay the PFP charge, the charges are calculated as follows:

- The filed tariff sheets for a municipal water utility include a charge to cover the investment in utility plant which enables the municipality to provide PFP service. The annual charge is based upon a fixed base amount, plus possibly an adjustment for hydrants (and possibly mains) added since the effective date of the base amount. (Consult your authorized tariff sheet for the method that applies to your utility.) If you apply for a rate increase, the adjustment clause for mains and hydrants will be eliminated.
- If the utility was authorized to increase its rates during the year, the PFP charge to the municipality is prorated between the two rates. The total charge for the year is the sum of the two prorated amounts. For instance, if a rate increase was effective on May 1st, then the charge is 4/12 of the total annual amount at the old rate (for January through April), plus 8/12 of the total annual amount at the new rate (for May through December).
- The PFP charge is recorded by debiting Account 145, Receivables from Municipality, and crediting Account 463, Public Fire Protection Service.
- If the municipality makes monthly or quarterly payments during the year for PFP, the final charge may not yet be calculated since net plant additions are typically determined at year-end. In these cases, payments are based on an estimated PFP charge. At the end of the year when plant additions are completed, the PFP calculation can be trued-up to the correct amount.

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Direct Charge

Where the municipality has not adopted a resolution to pay the PFP Charge, the utility may choose the PSC authorized alternative public fire protection rate design methods. A listing of these methods can be found on our web site or at <http://psc.wi.gov/utilityinfo/water/utilityTraining/fireProtection/publicFireCharge.htm>.

The utility has two options to implement initial PFP charges. Under the first option, the utility may request authorization to direct charge PFP in conjunction with an application to increase water utility general service and PFP rates. An application under this option is processed through the normal rate case procedure, including public hearing. Under the second option, the utility may file initial PFP rates developed under one of the methods previously approved.

The tariff filing will become effective no sooner than 20 days after the utility's complete tariff filing request. (This includes a copy of the customer notification.) However, the Commission may suspend the tariff on its own motion or the tariff may be suspended as a result of customer petition. A hearing will then be required to consider further the tariff filing. The Commission would not suspend the tariff on its own motion if the utility has used one of the Commission approved methods and the calculated PFP rates appear reasonable. Detailed procedures are outlined on the Commission's web page.

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Other Types of Water Revenue

Utilities often collect revenues for reasons other than the sale of water. Revenues of this type, which result from operating the utility, are considered Other Operating Revenues. The most common types of Other Operating Revenues are shown below:

- Forfeited Discounts (Account 470) – charges authorized in a utility’s tariff for late payment of a utility bill or statutory penalties for delinquent accounts placed on the tax roll.
- Rents from Water Property (Account 472) – rents received for the use of land, buildings, or other property owned by the utility.
- Other Water Revenues (Account 474) – return on meters allocated to the sewer department is the most common revenue in this account. (See meter allocation discussion in the Expenses Section.) Other revenues include charges for a second meter, reconnecting service and reinstalling meters. Amounts received by a sanitary district for tax levies for operation and maintenance expenses are also recorded in this account.

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Non-operating Revenue

Utilities often collect revenues for reasons that are NOT a direct result of operating the utility. These revenues are considered non-operating revenues. The types of non-operating revenues which most commonly raise questions are shown below.

- Merchandise and Jobbing (Accounts 415-416) – these accounts are used when a utility is actively engaged in selling merchandise and supplies or doing contract work for customers or others. If a utility rarely does this non-utility type of business, it is not necessary to use Accounts 415-416; Account 474 may be used instead.
- Income from Non-utility Operations (Account 417) – income from a non-regulated sewer department.
- Miscellaneous Non-operating Income (Account 421) – Contributed Plant (Donations or contributions in cash, services, or property, from states, other municipalities or other governmental agencies, individuals, and others, for construction purposes).

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Frequently Asked Questions

Common Types of Metered Sales

Q1: Where do I record sales to private or parochial schools and churches?

A: These sales are recorded as commercial since private or parochial schools and churches are not governmental entities.

Q2: Where do I record sales to the post office?

A: Sales to a post office are recorded as public authority since it is a federal government agency.

Q3: How are sales to an apartment building with three or more units recorded?

A: These sales are recorded in Account 461.5 (Multifamily Residential) if water is measured through a single meter. If each unit is individually metered, each unit would be classified as a residential customer and sales are recorded in Account 461.1 (Residential).

Q4: Where are sales to hospitals and clinics recorded?

A: Sales to hospitals and clinics are recorded as commercial unless the hospital is actually run by a government agency (then public authority is the correct classification).

Q5: Where do I record water used in sewer flushing, municipal parks, municipal skating rinks, or other similar municipal locations?

A: These examples are recorded as public authority. This type of usage must be billed to the municipality as it is municipal rather than water utility usage.

Q6: Where do I record sales to a non-regulated sewer utility?

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A: Sales to a sewer utility not regulated by the PSC are recorded as public authority. (If regulated by the PSC, see Interdepartmental Sales below.)

Other Types of Metered Sales

Q7: Where do I record sales to a regulated sewer utility?

A: Sales to regulated sewer utilities are recorded in Account 467, Interdepartmental Sales.

Q8: Where do I record revenue from sales of water used to irrigate golf courses, athletic fields, parks, and similar areas?

A: If the utility has established a separate irrigation class with rates authorized by the PSC, metered irrigation sales are to be recorded in Account 461.6 and unmetered irrigation sales are to be recorded in Account 460.6.

If the utility has not established a separate irrigation class, then sales for irrigation purposes should be recorded in the subaccount corresponding to the customer's primary classification (Residential, Commercial, Industrial, Multifamily Residential, or Public Authority).

Q9: Where do I record revenue from a business that also has one or more residences upstairs and the property is served by one meter?

A: Revenue from mixed-use commercial and residential property should be recorded in Account 461.2 (Commercial). However, a residential property with a home office is not considered commercial. Revenue from these customers should be recorded in Account 461.1 (Residential).

Q10: If a new industry wants to install one or more large meters to avoid sewer charges on a portion of its usage, does some of the revenue go into Account 474?

A: No. Account 474 is used to record revenues from second meters installed only in residential and small commercial settings. These meters are typically less than 2 inches in size. In a larger setting such as a factory, all meters are treated separate, individual general service accounts and the revenue is recorded in Account 461.3 (Industrial).

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Special Situations Such As Seasonal Customers and Second Meters

Q11: If a customer moving to Florida for the winter has his or her meter removed, does he or she have to pay service charges as a seasonal customer?

A: Yes, they do. Unless the person has permanently moved from that location, he or she is still considered a customer and must pay the service charges for the period he or she was temporarily disconnected. In addition, the customer will have to pay reconnection charges when he or she returns and has the meter reinstalled. Reconnection charges are recorded in Account 474, Other Water Revenues.

Q12: If a new industry wants to install one or several large meters so it is billed sewer charges on only part of its usage, does some of the revenue go in Account 474?

A: No. The situation mentioned previously is for second meters in residential and small commercial settings. These meters are typically less than 2" in size. In a larger setting such as a factory, all meters are treated as separate, individual general service accounts and the revenue is recorded in Account 461.

Other Types of Water Revenue

Q12: Where do I record rent from an antenna on a water tower?

A: Since a water tower is utility property, rent related to this property is correctly recorded in Account 472, Rents From Water Property.

Q13: Where do I record money received from scrap metal?

A: Money received for scrap metal from something like old mains or hydrants is not considered revenue. The proper entry is a credit to Account 111.1; Accumulated provision for Depreciation of Utility Plant, Financed by Utility Operations or by the Municipality or Account 111.2; Accumulated Provision for Depreciation of Utility Plant, Contributed Plant.

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Q14: Where do I record money received from an insurance company for fire hydrant damage?

A: If the fire hydrant is **repaired**, insurance proceeds are credited to the expense account where the repair costs were originally charged.

If the fire hydrant is **replaced**, insurance proceeds are considered salvage and debited to Account 111.1; Accumulated provision for Depreciation of Utility Plant, Financed by Utility Operations or by the Municipality or Account 111.2; Accumulated Provision for Depreciation of Utility Plant, Contributed Plant.