



## Fiscal Estimate Narratives

PSC 4/27/2011

LRB Number	11-0601/2	Introduction Number	SB-058	Estimate Type	Original
<b>Description</b> Liability of public utility customers for unbilled utility service					

### Assumptions Used in Arriving at Fiscal Estimate

Approximately 575 municipal water public utilities would be affected by this legislation. Roughly 82 of these municipalities also provide electric utility service and 12 provide sanitary sewer service as a combined water and sewer public utility. Because individual utility responses to the bill will vary, the cost to local governments is indeterminate.

Municipally owned utilities operate as discrete units of local government and are wholly supported by service rates. Typically, utilities read customer meters once each billing period, which may be monthly or quarterly. Under current law, a utility may bill a customer for service within two years of discovering an error in charging for service. This bill would prohibit a utility from billing a customer if a metering failure or other error, due to the utility, is discovered in a subsequent billing period, regardless of when the error is discovered. Instead, the proposed legislation would require a utility to identify any meter error or inaccuracy in the same billing period for which service was provided in order to bill for the service. This bill would also prohibit the utility from recovering these revenues from other ratepayers through a future rate case.

Depending on the amount of unbilled service potentially affected by the proposed legislation, some utilities may be able to absorb the loss of revenue. However, others may need to make operational changes, such as more frequent billing or more frequent meter testing to reduce the risk of loss. For some utilities, potential lost revenues may not be insignificant. Annually, municipally owned electric public utilities report to the Commission their customer charges for unbilled utility services due to meter and billing errors. In CY 2010, these charges totaled approximately \$903,000 for about 300 customers (Water public utilities are not required to report this information). Operational changes to mitigate potential revenue losses under the proposed legislation could increase costs for utilities, resulting in increased rates for all customers. However, the potential net cost of operational changes and their impact on rates is not known.

### Long-Range Fiscal Implications