

GLOSSARY OF KEY TERMS AND ABBREVIATIONS

AWC – Average winter consumption. Average of billed water for the previous winter for a given customer account.

AWWA – American Water Works Association.

BILL FREQUENCY - An analysis that summarizes the number of bills billed at each level of consumption (i.e. a count of the number of bills using 100 ccf, 200 ccf, 300 ccf, etc.). Tabulates the consumption used in that block and passing through the block. In other words, it calculates the volume of water billed at each level of consumption.

BOD – Biochemical Oxygen Demand. Used as a measure of biological components of wastewater

CAPITAL IMPROVEMENT PROGRAM (CIP) – Plan to improve existing needs or add new ones over the course of time. Financed separately from operations and maintenance budget.

CASH RESERVES – Cash restricted/ encumbered for funding of specific uses, (e.g., debt repayment, capital projects).

COLA – Cost of living adjustment.

COST ALLOCATION – The process of allocating functionalized revenue requirements to cost components as part of the cost-of-service process.

COST COMPONENTS – The operational or design characteristics within a water or sewer system. Functionalized costs are allocated to these cost components based on their operational or design parameter within the system. Water cost components include average day demands, maximum day demands, maximum hour demands, billing and customer costs. Sewer cost components include flow, strength and billing and customer costs.

COST OF SERVICE – A process used to determine the cost to provide water, sewer or other utility service to customer classes. Customer classes typically include residential, commercial, industrial, wholesale, etc. A utility's test year revenue requirement is functionalized to system operational functions and then allocated to cost components (demand/volume and customer characteristics). Those costs are then distributed to each customer class based on their proportionate share of demands and customers. Water demand components include average day, maximum day and maximum hour demands. Customers may be represented by number of bills, number of accounts, or equivalent water meters. Sewer volume components include flow, BOD and TSS (strength). Customers may be represented by number of bills, number of accounts, or equivalent water meters.

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CUSTOMER CLASSIFICATION – Customers of a water or sewer system that are grouped together based on similar usage characteristics. Typical customer classes include single family residential, multifamily, commercial, industrial, institutional, government, and wholesale. Classes may be further separated into subcategories such as small industrial or large industrial. Specific customers may be identified as a class based on specific usage characteristics, level of service characteristics, or contract requirements.

DEBT SERVICE – Expenditures for the repayment of principal and interest on the principal of bonds and other debt instruments.

DEBT SERVICE COVERAGE RATIO - The ratio of revenues available to pay debt to annual or maximum annual debt service, where available revenues are revenues net of operating expenses and debt service includes the principal and interest components.

DECREASING BLOCK RATE – A volumetric rate structure where the unit price decreases at each successive block threshold.

DOMESTIC WATER USE – includes indoor and outdoor water use at residences, and includes uses such as drinking, food preparation, bathing, washing clothes and dishes, flushing toilets, watering lawns and gardens, and maintaining pools. Domestic water use includes potable and non-potable water provided to households by a public water supplier and self-supplied water use. Self-supplied domestic water use is typically withdrawn from a private source, such as a well, or captured as rainwater in a cistern.

EXPENDITURE – The outlay of cash to honor an obligation for a good, service, or debt.

FUNCTIONALIZED COSTS – Operation and maintenance and capital costs (i.e. revenue requirement) that are assigned to the functional area that incurs that cost. One of the steps of cost-of-service steps. Water functional areas may include source of supply, treatment, distribution, storage, etc. Sewer functional areas may include collection, treatment, solids handling, outfalls, and headworks.

FUND BALANCE – The difference between fund assets and fund liabilities of governmental and similar trust funds.

GAAP – Generally Accepted Accounting Principles. Uniform minimum standards and guidelines for disclosing, recording and reporting financial transactions and entries.

GFOA – Government Finance Officers Association.

GIS – Geographical information system.

GPCD – Gallons per capita per day.

GPM – Gallons per minute.

GRANT – The contribution of one governmental unit to another, in the form of assistance and/or direct financial contribution, and may or may not have restricted uses to attain its goals.

INCREASING BLOCK RATES - A volumetric rate structure where the unit price increases at each successive block threshold.

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IMPACT FEE – A one-time fee used to fund growth-related capital expenditures. Also referred to as development fees, system capacity charges, plant investment fee, etc.

MGD – Million gallons per day. Unit of measurement for treatment plants.

MHD – Maximum Hour Demand

O & M – Operations and maintenance expense.

POTABLE – water that is free from harmful levels of contaminants, such as bacteria, viruses, chemicals, and other pollutants, and meets established health and safety standards.

RAG – Rate Advisory Group

SEASONAL RATE – A volumetric rate that varies by season based on cost-of-service differences in providing service during those periods. Seasons may be divided by summer and winter or may include a rate for ‘shoulder’ months – such as a spring or fall rate.

REVENUE REQUIREMENT – The amount of revenue required from user rates. The revenue requirement includes operation and maintenance expense, rate-funded capital, payments on existing and proposed debt service. The revenue requirement is net of miscellaneous and non-operating revenues and changes in reserve balances. The revenue requirement is based on a ‘test year’ or the year rates will be effective. Also, referred to as the cash-needs revenue requirement.

SERVICE CHARGE – A fixed charge that recovers costs associated with the number of customer-related activities such as billing and administrative costs, meter reading, capital costs if needed. A service charge may vary by meter size and/or customer class or may include a volume allowance. A readiness to serve charge is a type of service charge that recovers customer costs as well as some capital-related costs. Capital-related costs may include debt service or on-going distribution repair and replacement costs.

SFR – Single family residential.

STATE REVOLVING LOAN FUND (SRF) - Low interest loan program administered by the State Department of Natural Resources for water and wastewater projects. Monies come to the State from the Environmental Protection Agency.

SYSTEM – The total of all assets the Utility uses for distribution, collection, treatment, and provision of services.

TAP FEES – Fees charged for service connections to reimburse the Utility for labor and material costs incurred.

TSS – Total suspended solids. Matter suspended in a water or wastewater.

UNIFORM VOLUME RATE – A volumetric rate structure where the unit price is the same for all water usage.

WTP – Water treatment plant.

WWTP – Wastewater treatment plant.