

Basic Information on Availability Charges

FINANCING CAPITAL IMPROVEMENTS

Availability Charges

1. Dedicated-capacity charges involve a financing method for water utilities having the purpose of recovering costs from customers for capacity constructed primarily for providing service to these specific customers. The availability or readiness-to-serve charge is one type of a dedicated-capacity charge.
2. The availability charge is a charge designed to recover the costs incurred by a water utility in constructing facilities primarily for the benefit of new or future customers. The availability charge is imposed between the time that service is made available to the future customer and the time that actual water service is initiated. The availability charge may be based on lot frontage or similar bases. When water service is actually initiated, the availability charge is terminated.
3. The availability charge is particularly appropriate in cases where a new housing development is created and the water utility constructs facilities for that development. The initial system costs may exceed the level that can be realistically recovered from the low initial customer base. Thus, it is appropriate that lot owners be charged for having service available, even though at that time they are not actually receiving service.
4. The availability charge is essentially an access charge reflecting the cost of providing consumer access to the water system. The justification for the availability charge is that the water utility incurs certain costs regardless of whether or not consumers receive service.
5. An advantage of the availability charge is that it promotes cost sharing between existing customers and unconnected property owners who eventually derive benefits from the facilities of the water utility. It adheres to the standard of cost-causation where the water utility has incurred significant capital investment to provide service to both existing and future customers.
6. A problem associated with availability charges is that of remedies for nonpayment. Since the customer that is being assessed the charge is not connected to the system, termination of service is not an appropriate response to nonpayment.

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*Excerpt From: Financing Issues and Strategies for Water Utilities
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March 6, 2001*