

THE OBLIGATION TO SERVE (VER 1.0)

What is it? *The obligation to serve describes what the regional entity will provide, how it will be provided, to whom, and when. The definition of the obligation to serve will impact other important regional issues. The obligation to serve works together with the right to serve (i.e. exclusivity within a given area) and regulated price of service (i.e. rate making) to form what is often called a “regulatory compact”. That “compact” is a fundamental condition that allows municipal and public utilities to operate in the public interest.*

How it Fits in the Regional Plan? *Think of the obligation to serve as the mission of the regional entity. A promise to the members that they can rely on.*

A PROPOSED STARTING POINT FOR DISCUSSIONS:

Element of the Obligation to Serve	Specific Provisions
Services Provided by the Regional Entity	<ul style="list-style-type: none"> • For the purpose of delivering drinking water to its members: • Withdrawal of source waters from any surface or groundwater resources • Storage of source waters • Treatment of source waters • Transmission and pumping of drinking water • Storage of drinking water
Services <u>not</u> Provided by Regional Entity	<ul style="list-style-type: none"> • Distribution of drinking water beyond defined points of delivery to the members
The Area Served by the Regional Entity	<ul style="list-style-type: none"> • Within the current and future political boundaries of its members
Level of Service Provided	<ul style="list-style-type: none"> • Sufficient to meet all current and future demands up to the maximum-day demand (member distribution systems to meet any max-hour and fire flow demands) • At sufficient pressures

Element of the Obligation to Serve	Specific Provisions
	<ul style="list-style-type: none"> • Meeting all State and Federal regulatory requirements relevant to the services provided up to the points of delivery • Services cannot be denied to members • Curtailments due to shortages or regulatory restriction must be made proportionately to the members without preference • At the best practicable cost per unit of water delivered

THINGS TO CONSIDER:

Think about where the obligation to serve needs to be more specific than not.

One of the key needs expressed by many potential members during our individual meetings with them is that they feel they must be able to take reliance on the regional entity to provide for all current *and all future* water production requirements. This need drives many of the proposed provisions discussed above.

If the regional entity is to provide for all current and future needs, it follows that it must meet certain requirements, such as: no denial of service; responsibility for the resources and facilities needed to provide the service; drinking water quality (i.e. regulatory requirements); etc. A regional agreement should specifically define these services because the specificity increases the level of commitment (i.e. the obligation) and gives members the assurances that they need to support the formation of a regional entity.

An implied need for this discussion is to establish boundaries around the obligation to serve. For example, in the proposed provisions, above, the regional entity is responsible for meeting all relevant water quality requirements and pressures *up to the points of delivery to members*, but not beyond. The levels of service you define will impact capital assets investments and operational processes with strong cost implications. Therefore, now is not only the right time to consider where the regional entity's responsibilities begin, but also where they end.