MARYLAND ENVIRONMENTAL SERVICE

BOARD OF DIRECTORS

RESOLUTION NO. 98-06-1R

A RESOLUTION APPROVING

a modification in the quarterly rate charged to uninhabitable property connected to the Darlington Water Supply Service District Project; authorizing the Service to disconnect and reconnect uninhabitable property in the Darlington Water Supply Service District Project; and establishing the amount of such decrease in the quarterly rate, and the fees to be charged for disconnection from and reconnection to the Darlington Water Supply Service District Project.

RECITALS

On October 23, 1997, this Board approved Resolution No. 97-10-1R (the "Resolution") authorizing the creation of the Darlington Water Supply Service District (the "Service District"). The Service District provides water supply services as described in the Resolution (the "Project") to approximately 100 customers in the community of Darlington, which is a postal route located in northeastern Harford County.

Pursuant to Md. Natural Resources Code Annotated, §3-108(a), the Board authorized the Service to levy charges against those lots or parcels of real property connected to the Project that reflect the full costs of Service in providing the Project. Specifically, the Resolution mandated that such charges "shall be imposed equally against each parcel or lot of real property located in the Service District connected to the Project in an amount not to exceed the quarterly rate of $79.50." The quarterly rate charged to each parcel or lot of real property connected to the Project includes: (i) the purchase price paid by the Service to acquire the water supply system; (ii) the costs incurred by the Service in the transfer of the assets of the water supply system; (iii) the immediate upgrades made to the Project; (iv) the establishment of a sinking fund for the Project; (v) the estimated annual costs for operations and maintenance of the Project; and (vi) the cost of financing and billing for the Project.

The owner of a parcel of real property has requested a waiver from the quarterly rate because the parcel is a single-family, residential dwelling that has no plumbing or water piping within the dwelling, and is uninhabitable.

In evaluating the above-referenced request, the Service staff contacted several public utilities, including, but not limited to, the Maryland Public Service Commission and Harford

County, Maryland to determine how other utilities in Maryland deal with such situations. From these inquiries, the Service learned that most utilities providing potable water to a large customer base operate under a rate scheme consisting of a "ready-to-serve charge" and a "user charge." The "ready-to-serve charge" typically includes a debt service charge, and an administrative or overhead charge, and is frequently charged to the customer through a front foot assessment that appears on the customer's local tax bill. On the other hand, the "user charge" portion of the rate is based upon the actual flow of water into the dwelling as measured by meters, and is billed directly to the Customer. In situations where the customer base is small, such as the case in the Service District, the entity supplying the water often charges its customers a flat rate due to economies of scale. Moreover, in most circumstances, when a water supplier is notified that a certain property is uninhabitable or abandoned, the utility will disconnect the property from the water supply system, and charge a disconnection/reconnection fee. In the event the disconnected property becomes fit for habitation, the utility will reconnect the property. Typically, during the period the property is disconnected, the property is charged a "ready-to-serve charge."

The operations and maintenance component of the Service's current quarterly rate is analogous to the "user charge" component of a larger public utility, while the remaining components of the quarterly rate resemble the "ready-to-serve charge" component of a larger public utility's rate.

Therefore, the Service concludes that it is fair, appropriate, and in keeping with the common practice among utilities to disconnect all uninhabitable property from the Project, and decrease the quarterly rate charged to the uninhabitable property by subtracting the operations and maintenance component of the rate, commencing on the first day of the month after the notice is received by the Service.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MARYLAND ENVIRONMENTAL SERVICE, that:

1. Capitalized terms used and not defined herein shall have the meanings set forth in the title and the Recitals to this Resolution.

2. For purposes of this Service District only, the term "uninhabitable property" shall be defined to mean any lot or parcel of property connected to the Project that (i) lacks internal plumbing or plumbing fixtures capable of supplying occupants of the lot or parcel with water, or (ii) has been condemned by Harford County pursuant to Harford County's Livability Code, as amended from time to time, or (iii) for any other reason the Director reasonably believes prevents the lot or parcel from receiving water from the Project.

3. The Service is hereby directed to require that any lot or parcel of property seeking an exemption from, waiver, or decrease in the quarterly rate charged in the Service District on the basis that the lot or parcel of property is uninhabitable, must file a written request with Service.

The written request should any documents or evidence which demonstrates that such property is uninhabitable, and must include a request that the property be disconnected from the Project.

4. Upon receipt of such request as described in paragraph 3 above, the Service shall determine if the property is uninhabitable as defined in paragraph 2 of this Resolution.

5. If the Service determines that the property is uninhabitable, it is hereby directed to (i) disconnect the uninhabitable property from the Project upon payment of a fee of $100; and (ii) decrease the quarterly rate charged to the uninhabitable property by subtracting from the quarterly rate then being charged for the operations and maintenance component of the charge.

6. The Service shall prorate the decrease in the quarterly rate charged to all uninhabitable property to the first day of the calendar month after the Service receives the written request from the owner seeking the disconnection.

7. In the event that any uninhabitable property becomes fit for habitation, the Service shall reconnect the lot or parcel of property upon receipt of a written request for reconnection from the lot or parcel.

8. This Resolution shall be effective as of February 1, 1998, and is intended to be retroactively applied to any requests for disconnection pending with the Service as of February 1, 1998.

ADOPTED THIS 25th DAY OF JUNE, 1998.

MARYLAND ENVIRONMENTAL SERVICE

SEAL

James W. Peck
Director

Catherine Pieper Stevenson
Deputy Director Not present

Kenneth Howarth
Treasurer

Carolyn D. Davis
Secretary

Edwin G. Richards
Member Not Present

Lawrence D. Shubnell
Member

William B.C. Addison, Jr.
Member

Daniel F. McMullen, III
Member

Joseph F. Snee, Jr.
Member Not Present

Attest:
Carolyn D. Davis, Secretary