

Case Study:

ServLine Lost Water Product



ServLine: Preventing Difficult Conversations with Customers

“If you manage a water utility and you’ve got all kinds of free time on your hands, the ServLine product isn’t for you.

But here in the real world, most water utility managers have more problems than we have time in a day. We’d love to have some problems taken off our plate.”

Cam McKay, General Manager
Kingsbury General Improvement District of Stateline, Nevada

“Among residential customers, water leaks in their home used to be a real problem for us. It wasn’t so much the financial cost to us because of the way our board wrote our water-leak policy. Really it was more of a customer relations issue.”

Cam McKay
General Manager
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Water Leaks Created Customer Friction

“Among residential customers, water leaks in their home used to be a real problem for us,” continued Cam, who has been GM at Kingsbury General Improvement District of Stateline, Nevada (KGID) since 2008. “It wasn’t so much the financial cost to us because of the way our board wrote our water-leak policy. Really it was more of a customer relations issue.”

Even without the financial risks of water leaks, Cam said water leaks were a 7 on a scale of 1 to 10, where 10 was a worst-possible event. Water leaks were very aggravating because he and the board would be placed in the uncomfortable position of upsetting a customer who was also a neighbor, and possibly a friend.

In the past, when a KGID residential customer used to receive a high water bill, they would contact the utility. The utility would investigate, and typically the customer would be told it was their responsibility to pay for the water lost due to a leak. The customer could file an appeal with the board of directors, but in almost all cases the board would decide that the customer had to pay for lost water stemming from a leak inside their home.

Customer Trust, Staff Morale Up

“Water is precious and expensive here because we have to transport it up about 1,700 vertical feet from Lake Tahoe,” Cam said. “So when customers learned they had to pay for lost water — and typically the cost was between \$200 and \$600 — they were confused and angry: ‘How was I supposed to know I would be responsible for water leaks in my home? Isn’t that your responsibility?’”

Cam and the KGID board are glad they're not having those kinds of conversations with customers anymore. They're also pleased to report that customer trust is up, and staff morale is too, because ServLine removed the lost water flashpoint from customer interactions.

Why Nearly All Customers Choose to Stay with ServLine

KGID is one of nearly 200 water utilities across North America that offers the ServLine service to their customers. Typically, the utility enrolls all of its qualifying residential customers in the service, but customers are free to opt out at any point.

Across the U.S, nearly **97%** of customers decide to stay with the program.

Water utilities have found that, when enrolling customers in the service, most were unaware that their homeowner's insurance policy would not cover water lost due to leaks in the customer's home or apartment. So even if a few customers opt out, at least the water utility is able to educate them about water leaks.

Those few who choose to decline to participate in the ServLine program often change their mind and reinstate their leak protection after they talk to a neighbor who was in the program and experienced a water leak. Few customers are financially prepared to pay an unexpected charge like a lost-water bill. And none of them are happy about having to pay for some or all of that charge.

Cam estimated it used to take his utility about 16 staff work hours to fully resolve a high-bill complaint tied to a water leak. Most of the housing stock in his community is 50-60 years old, and each passing year increases the chance that there will be a burst pipe in a home.

Homeowner's or renter's insurance covers the damage to the home from a water leak. But the customer is typically on the hook for the cost of water lost due to a leak.

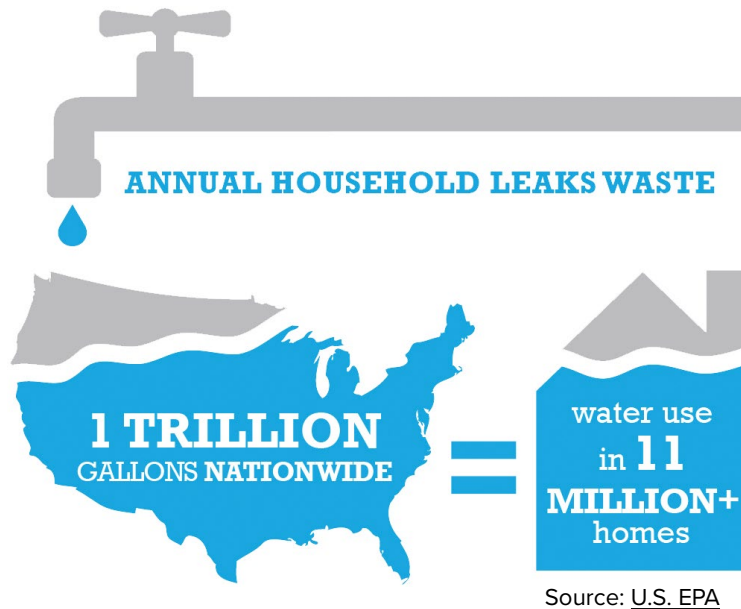


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Water Leaks in Homes Waste 1 Trillion Gallons of Water Per Year

Water leaks in homes and businesses is a national problem. Approximately 1 trillion gallons of water is lost each year due to household water leaks, according to the U.S. Environmental Protection Agency (see graphic).



The average household's leaks can account for nearly 10,000 gallons of water wasted every year, EPA estimates. One home in 10 has leaks that waste 90 gallons or more per day. Fixing easily corrected household water leaks can save homeowners about 10% on their water bills.

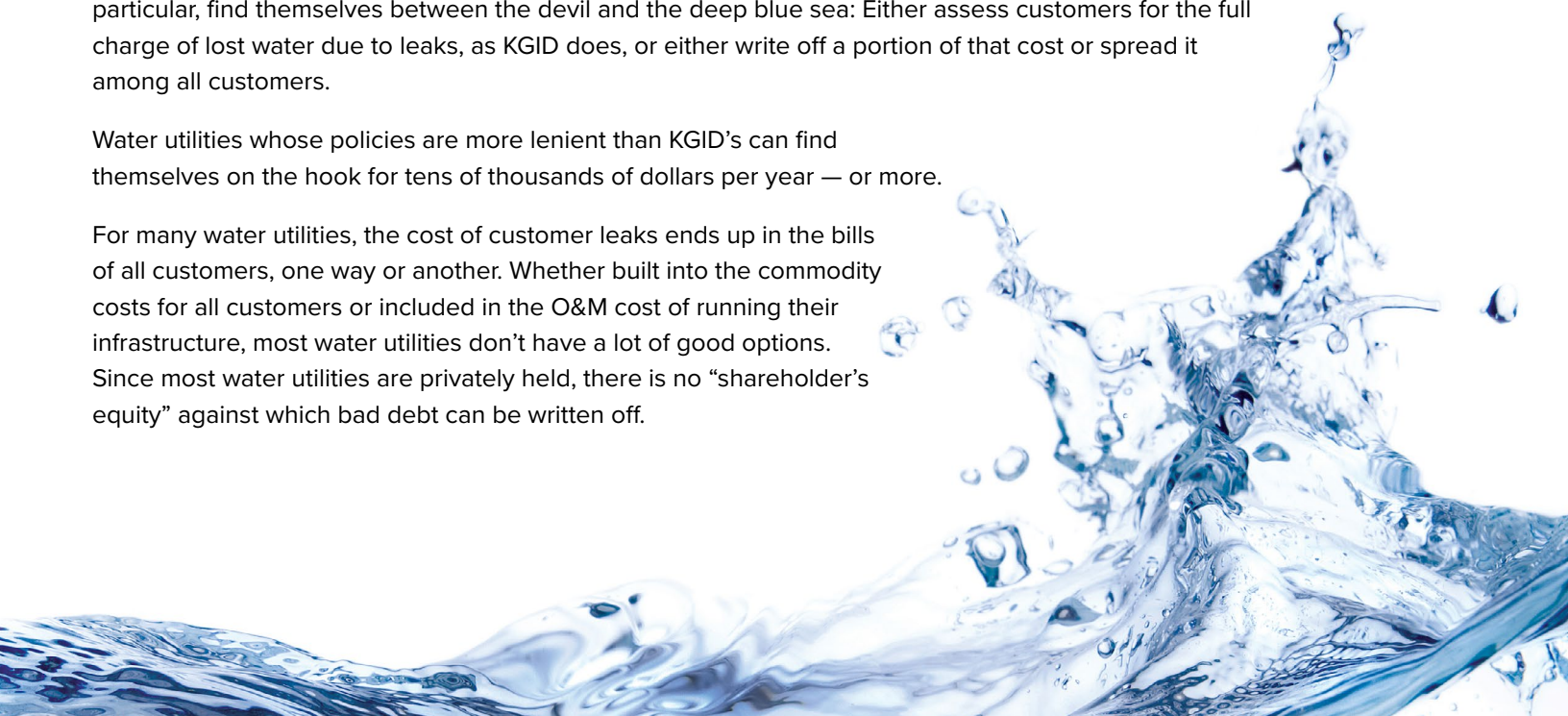
Water leaks are a classic illustration of a problem that is "out of sight, out of mind." Most plumbing is hidden inside walls and under floors, which means most leaks go unnoticed.

Water Leaks Can Increase Bills for All Customers

Across the nation, water utilities operate in a perennial state of being under-funded. Small water utilities, in particular, find themselves between the devil and the deep blue sea: Either assess customers for the full charge of lost water due to leaks, as KGID does, or either write off a portion of that cost or spread it among all customers.

Water utilities whose policies are more lenient than KGID's can find themselves on the hook for tens of thousands of dollars per year — or more.

For many water utilities, the cost of customer leaks ends up in the bills of all customers, one way or another. Whether built into the commodity costs for all customers or included in the O&M cost of running their infrastructure, most water utilities don't have a lot of good options. Since most water utilities are privately held, there is no "shareholder's equity" against which bad debt can be written off.



And with so many water utilities facing financial pressures to update or replace aging infrastructure, the ServLine product can remove one item from a rate case.

Rising societal interest in using resources as wisely as possible is another trend supporting wider deployment of ServLine. Water utilities, like many organizations, are facing rising stakeholder calls to become more efficient and reduce waste. Water utilities run very lean, so reducing headcount typically is not an option. But reducing wasted water is — and who can be against reducing waste and conserving a life-sustaining resource?

ServLine: A Simple, Win-Win Solution for Water Leaks

Cam reported that ServLine has simplified high-bill complaints. Now, when a KGID customer calls with a high-bill complaint, he provides them with the contact information for the service center, and we take it from there.

“The process is simple, we don’t have angry customer calls, and the service has helped restore us to a position of trusted partner with our customers. We don’t have to worry about wearing logoed shirts or hats out in public. In fact, our employees are proud to show that they work for the local water utility.”

Cam McKay, General Manager

Kingsburg General Improvement District of Stateline, Nevada

“Also, there are a lot fewer customers attending the monthly board meeting, waiting for their chance to complain about water leaks. And fewer customers at board meetings is a good thing!”

ServLine by HomeServe offers a unique leak adjustment product to participating utilities, which can help cover high water bill costs that result from leaking water pipes on a homeowner’s property. Leaks are a problem for utilities, who often have to absorb a portion of the water loss expense, and for customers who are faced with an unexpectedly high water bill. The program is a win-win solution because it lowers utility costs while increasing customer satisfaction. For more information, please visit www.servline.com



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