



FREQUENTLY ASKED QUESTIONS

WHO IS WATER COMPANY OF AMERICA?



Who is Water Company of America (WCA)?

Headquartered in Houston, Texas, ISI Water Company has served public agencies since 1989 by providing a unique program for revenue recovery through the meticulous evaluation of an entity's utility billing system to find lost revenue. The company continues to be known as Water Company of America (a registered name) because of national name recognition and existing contracts.



What services does WCA offer?

WCA's sole focus is to provide a program to recover lost revenues for public utilities around the country. WCA does not provide other utility engineering or management services. With an established track record, WCA stands ready to offer this specialized service to your utility.



How does the program work?

We provide a full-service evaluation of your billing records to determine potential water, wastewater, stormwater (or other) accounts that are not being accurately billed. This process is done through the use of a Proprietary Software program developed by WCA and the deployment of experienced WCA field crews for an on-site investigation. This is a performance-based contract, meaning that WCA's sole compensation for its efforts in finding this lost revenue is to receive a share (typically 50%) of the increased revenue resulting from the correct billing of these deficient accounts (this must be actual new revenue received by the utility) for a 48 month period. The utility retains the balance of the newfound revenue. After the revenue sharing period is complete, the utility keeps 100% of the new revenue, and the utility has no further financial obligation to WCA. Through this approach, the utility does not have to take on the risk of paying WCA large fees if it turns out that few billing deficiencies are found due to the program. In other words, WCA takes the risk for its costs through this contingency-based form of compensation. This is all accomplished with minimal time required on the part of your billing staff.



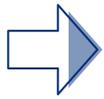
Who has WCA worked for in the past and present? Are there references at these entities we could contact?

A full listing of clients is available, along with performance and date. Please contact us for a list of references. These people have agreed to provide references for Water Company of America, so feel free to give them a call.



What if a lot of problem accounts are found? Isn't WCA going to reap a windfall?

It is safe to assume that the more accounts found by WCA, the more revenue will be generated. But one must also understand that the number of accounts found is directly proportional to the amount of effort and thus cost invested in the project by WCA. Therefore windfalls do not occur; instead, you benefit from an equitable performance fee structure. Also, remember, this increased revenue will result from charges to customers that previously were not paying for service received. Had WCA not found a specific deficient account and recommended corrective action, that misbilled account might have gone on for some time, resulting in an inequitable situation among all of your customers.



Are there other companies that use the same sort of approach to revenue enhancement as does Water Company of America?

While one other has a similar focus, no other Company provides the uniquely effective combination of data analytics tailored for the industry with the experienced approach to field research.

HOW DOES IT WORK?



How does the program work?

1. WCA uses proprietary software and technique to analyze account data. Developed through experience; proven queries, sort routines, and comparisons of like customers identify potential problems such as:
 - a. Unbilled or Misused Fire Service
 - b. Account Coding Errors
 - c. By-passed or Malfunctioning Meters
 - d. Unknown Sewer and/or Water Connections
 - e. Rate Discrepancies
 - f. Stormwater Misbilling due to Errors in Impervious Area
2. Once WCA determines that an account's consumption and/or billing data is not consistent with certain norms, that account is selected for additional research. After careful review of a given property, if it still appears that the billing and/or consumption do not meet certain criteria, WCA then physically researches that given property.
3. After completion of the field inspection, if additional sources of revenue have been discovered, formal documentation on this "Find" is submitted to the utility for billing changes and/or physical corrections.



What is a "find"?

A "Find" in WCA parlance, is an account that requires corrective action on the part of the utility for appropriate billing to occur. This account has been through a full field investigation and has been shown to be defective in some manner. Each "Find" will require a sign off by the authorized representative of the utility before it moves forward.

What information does WCA need from us? How much effort and/or ongoing commitment will be required from our Information Systems Department to support this program?

In essence, all WCA needs is a monthly download of "raw unjoined data" from your utility billing system. WCA performs the data analysis. Therefore, a very small commitment is required from the IS Department.

There is a concern about an outside party (WCA) having direct access to our utility billing system - security issues being of paramount importance. How do you address this?

WCA does not need nor will it ever request anything more than "read only" access.

We have limited staff in our billing section who are fully involved in their "day-to-day" activities. I am concerned as to what additional workload might be brought upon them as a result of WCA's program. We don't have time to complete our current assignments, much less tend to yet another contractor. How much staff time would be required by WCA for this program?

Very little staff time would be required on your part. WCA provides all manpower and equipment to carry out the program. WCA would need 1 - 2 hours per week on the part of your authorized representative to review progress to date; to approve whatever "Finds" that WCA might have discovered; to coordinate the implementation of corrective action, and to review monthly calculations of new revenue.

What about "backbills?" Does WCA share in these recovered funds?

Yes. WCA would share in any revenue recovered through backbill during the revenue sharing period.



Our utility, as a matter of policy, does not do “backbills.” Is this a problem with WCA?

This is not a problem; we follow your policy. If your utility does not backbill, then we accept that. We might encourage backbills in certain cases involving theft of service, but we will work within the rules that you have in place.

What controls will our utility have over how the program is conducted – more specifically, what authority will we have on approving the “Finds” submitted by WCA and also the calculation of the monthly payment to WCA?

Each “Find” must be approved by your Project Manager. WCA is eligible to share in new revenue only on accounts that have received written approval signature. Further, once the Finds are approved, the utility representative will have full approval authority over the calculation of any new revenue. In this way, the utility basically has total control over how the program will progress from a financial standpoint.

Who calculates the “Increased Revenue?” Describe how the different forms of “Finds” would be handled in this regard.

WCA prepares the detailed line item report that quantifies Increased Revenue. There are many types of “Finds.” Each is evaluated to measure the benefit to you as a result of our work. Clearly, if the service was completely unbilled in past, all new revenue from this account will be used in the calculation. If the billing deficiency resulted from a bad meter, the increase is defined as the difference between a historical average and actual collected amount(s). In any case, your Project Manager approves the calculation; therefore you are protected.

There is a concern that WCA will try to claim “new revenue” on problem accounts that have just come on line. Many of these problems would have been found by our own billing staff, and we feel that WCA should not reap the benefit from these newer accounts. How does WCA address this concern?

The agreement language is clear, new problems and known problems are hands off for a period of time that is determined by you. Our mission has always been to find the old, chronic conditions, not the situations you correct in the normal course of your business. That is our specialty.

What if a customer has a significant change in consumption during the 36 month payment period?

In some rare cases, a material change in consumption will occur, either up or down. When it declines, or the customer closes the account, then there is no increase for that period and WCA receives no payment. Likewise, a consumption increase results in more increased revenue.



There is a concern that your company may find too much and bring discredit on our billing section that they haven't been doing their job. How do you address this concern?

This is a tough one to answer, but we certainly recognize that this question may be on the minds of some folks. We never enter into a project with an underlying motive of making people look bad or to embarrass anyone. Our sole job is to find lost revenue for the utility which should be in everyone's best interest. For the program to reach its highest level of success, WCA must work in harmony with your billing staff, and we will do everything we can to make certain that this harmony extends throughout the program. We certainly understand, as we hope utility management would as well, that the billing staff probably is staff-limited and no doubt has difficulty in marshaling the forces to do the type of field investigation that WCA can provide. We like to think of ourselves as an extension of the billing department and that we're all working toward the same goal – that of maximizing the revenue coming into the utility.



Upfront, can you estimate the benefit that this program would bring to our utility?

This is extremely difficult to project. Historically with our past clients, there have been certain indicators that tell us what projects might yield higher "Finds" than others, but we've also found that these indicators do not always give us the true picture. Until we have downloaded the billing data and begun the process of evaluation of this data, we generally will not know the magnitude of revenue increase that will result from the program.

HOW DOES BILLING WORK?



What if one big account is found that results in WCA getting a high payment? Is this fair?

It is true that the larger accounts do bring in more revenue to both WCA and the utility, but for every large discovery, it is necessary to investigate a whole lot of accounts, both large and small, that turn up nothing. In our years of experience, we have learned to anticipate the rare large discovery; and depend upon it to offset the multitude of "dry holes." Therefore it is very fair.



When does WCA get paid for its work?

On a monthly basis, generally. Perhaps on smaller jobs, the requisitions might be less frequent, but that will be agreed to upfront.



 **We have billing staff whose job it is to find and correct account problems. Why do we need Water Company of America?**

We look upon our efforts as a supplement to your staff, not as a replacement for it. We know from our broad experience that your billing staff knows their system better than we do as we enter into a project, and it is important for us to proceed in partnership with your billing people to make a successful project. Because our total and clear focus (and experience as well) is to find lost revenue, we can bring our specialized talents to your utility for what will be a long-term benefit.

 **How is WCA paid if no problem accounts are found?**

WCA will not be paid; that is, the risk WCA takes. Remember, WCA only receives compensation when the utility recovers revenue.

 **Why the performance fee-based method of payment?**

Your utility does not pay WCA unless we produce increased revenue for you; our fee structure, compared to the approach of your paying us whether or not we find any deficient accounts, does seem to be in your best interests. It “incentivizes” WCA to do a most thorough analysis of your billing records to maximize revenue recovery. And remember, at the end of the day, the utility keeps a share of the recovered revenue for the revenue sharing period and 100% after that.

WHO FIXES THE PROBLEMS THAT WCA FINDS?

 **Who fixes the problems that WCA finds?**

In our experience, the utility reserves the right to implement the corrections. As stated earlier, WCA is prepared to assist the utility in whatever ways that we can during the implementation phase.

 **Typically, how long does it take for WCA to complete the program?**

Obviously, it would depend on the size of the utility; the number of accounts; and the number of “Finds” encountered. Usually, the data evaluation and field work for any given utility can be completed within a year.