

**SERVICE DATE**  
**Sep 28, 2015**

PSC REF#: 275662

Public Service Commission of Wisconsin  
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PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Madison Water Utility, Dane County, Wisconsin, for  
Authority to Increase Water Rates

3280-WR-113

**FINAL DECISION**

This is the Final Decision in the Class 1 proceeding conducted by the Public Service Commission (Commission) on the application of Madison Water Utility (applicant) for approval to increase water rates. This application is APPROVED subject to conditions.

**Introduction**

The applicant applied to the Commission on October 20, 2015, for authority to increase water rates. Pursuant to due notice, the Commission held a hearing at the Public Service Commission Building in Madison on September 2, 2015, before Administrative Law Judge Michael E. Newmark. Clean Wisconsin and the Citizens Utility Board intervened in this proceeding, but did not appear at the hearing.

After a preliminary review of the application, Commission staff met with the applicant on March 5, 2015, and requested additional information necessary for analysis of the rate increase request. The applicant submitted the last of such information on July 23, 2015.

**Findings of Fact**

1. The applicant's presently authorized rates for water utility service will produce operating revenues of \$28,669,631 for the 2015 test year. These rates fall short of the test year revenue needed by \$8,406,743 and are unreasonable.

2. The estimated net investment rate base applicable to water utility operations for the 2015 test year is \$159,141,302.

3. The rate changes set forth for water service in Appendix C will permit the applicant to earn the necessary revenue requirement and are consistent with the cost of service and rate design.

**Conclusions of Law**

1. The applicant is a municipal public utility as defined in Wis. Stat. § 196.01(5)(a).  
2. The Commission has authority under Wis. Stat. §§ 196.02(1), 196.03(1) and (3), 196.19, 196.20, 196.22, 196.37(1), (2), and (3), and 196.395 to authorize the applicant to increase water utility rates and revise tariff provisions.

3. The Commission has authority under Wis. Stat. § 15.02(4) to delegate to the Administrator of the Division of Water, Compliance and Consumer Affairs, those functions vested by law as enumerated above.

**Opinion**

**Net Investment Rate Base**

The estimated net investment rate base for the 2015 test year is as follows:

Utility Financed Plant in Service	\$210,966,116
Less: Accumulated Provision for Depreciation	<u>\$48,617,917</u>
Net Plant in Service	\$162,348,199
Plus: Materials and Supplies	700,000
Less: Regulatory Liability for Pre-2003 Accumulated Depreciation - CIAC	<u>3,906,897</u>
Net Investment Rate Base	<u>\$159,141,302</u>

**Comparative Income Statement**

The estimated test year income statement showing the effect of the increase in revenue which will result from authorized rates is as follows:

	<u>At Present Rates</u>	<u>Authorized Increase</u>	<u>After Rate Increase</u>
Operating Revenues	\$28,669,631	\$8,406,743	\$37,076,374
Operating Expenses:			
Oper. & Maint. Exp.	\$15,204,404		\$15,204,404
Depreciation	4,775,109		4,775,109
Amortization Exp.	471,939		471,939
Taxes & Tax Equiv.	<u>6,280,737</u>		<u>6,280,737</u>
Total Oper. Expenses	<u>\$26,732,189</u>		<u>\$26,732,189</u>
Oper. Income (or Loss)	<u>\$1,937,441</u>		<u>\$10,344,185</u>
Rate of Return	1.22%		6.50%

The depreciation expense included in the revenue requirement for the 2015 test year was computed using the depreciation rates shown in Appendix E. These depreciation rates are effective on January 1, 2015, for computing the depreciation expense on the average investment for each plant account.

**Construction Accounting**

Commission staff met with the applicant on March 5, 2015 to discuss the accounting and reporting for construction projects. ([PSC REF#: 233138](#)) The applicant was informed that it should ensure the costs in its construction work in progress (CWIP) and completed construction not classified (CCNC) accounts are associated with construction projects for which it had sought approval. The applicant was also informed it should timely make the final accounting classification to actual plant accounts after construction is completed and placed into service.

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The applicant filed notifications of cost overruns in excess of 10 percent in three separate construction dockets on February 24, 2015, February 24, 2015, and March 5, 2015. While the applicant's 2014 Annual Report to the Commission was due April 1, 2015, the applicant filed it on July 23, 2015. The applicant was informed that it should closely monitor the amounts held in CWIP and CCNC, associate those costs with dockets that required Commission approval, notify the Commission of cost overruns on a timely basis, and close projects out to final plant accounts as soon as practicable after construction is completed. This will expedite the rate case process in the future.

### **Capital Structure**

The applicant requested a return on net investment rate base of 6.50 percent. The applicant's capital employed in providing public utility service is estimated to be 22.84 percent municipal equity that is associated with the net investment rate base and 77.16 percent long-term debt. The composite cost of debt capital is 4.10 percent. A return on rate base of 6.50 percent will provide a highly leveraged return on municipal earning equity and 2.05 times interest coverage. Current market rates generally support a return on rate base of 5.00 percent, and the Commission is reluctant to authorize a higher return on rate base, unless the applicant can demonstrate that its cost of debt and its debt ratio require a higher return. In this case, the applicant, with a composite cost of debt of 4.10 percent and a debt ratio of 77.16 percent, has met that test. A 6.50 percent return on rate base will provide the utility with sufficient earnings on its investment. This return on rate base will also maintain confidence in the utility's financial integrity without resulting in rates to customers that are excessive.

The Commission cautions the applicant, however, that a 77.16 percent debt ratio is too high to provide the degree of financial integrity that is required over the long term and recommends that the debt ratio be reduced to reasonable levels as soon as practical. A reasonable municipal structure is generally considered to be roughly 50 percent equity and 50 percent debt.

Further, the Commission strongly recommends that utilities annually evaluate their utility revenue needs and make timely requests for rate changes. Typically, this means that utilities the size of Madison Water Utility should file a rate case every two to three years. With this 2015 test year filing, it has been four years since its last 2011 test year filing. State statutes also permit municipally owned systems to regularly apply for inflationary rate increases. Madison Water Utility has not sought any inflationary rate increases either. Routine increases help mitigate large spikes in rates and enable customers to better manage their financial resources.

### **Cost of Service**

Commission staff concurred with the applicant's analysis of the cost of supplying water for general service and for public fire protection service. The applicant used the base-extra capacity cost allocation method for the analysis. Under this method, the operating expenses are allocated first to the service cost functions of extra-capacity maximum-day and maximum-hour demand, base, customer, and fire protection and then to each of the customer classes served. Summaries of such analyses are shown in Schedules 7 and 10 of the applicant's updated test year 2015 cost-of-service study and design. ([PSC REF#: 235021](#)) Appendix B shows customer class revenue requirements resulting from the cost analysis compared with revenues at authorized rates.

## **Rates**

Water service rates authorized in this decision will result in an estimated net operating income of approximately \$10,344,185 which provides a 6.50 percent return on the water utility net investment rate base of \$159,141,302.

The applicant's proposed rate design is shown in Schedule 16 of the applicant's updated test year 2015 cost-of-service study and design. ([PSC REF#: 235021](#)) It utilizes class rates for the various customer classes served: Residential, Multifamily Residential, Commercial, Industrial, and Public Authority.

The Residential Class rates include an inclining block rate structure in which the volume rate per 1,000 gallons of water used each month increases as a customer's water consumption passes through each successive volume rate block. The volume rates for the other customer cases feature a uniform volume rate specific to each class for all water used each month.

Over the course of three meetings in 2014 and 2105, the City of Madison Water Utility Board (Utility Board) discussed alternative rate structures. The alternatives were based on detailed analysis of demand patterns associated with the various customer classes. This analysis was included in the Proposed Cost of Service and Rate Design. ([PSC REF#: 229078](#)) In addition to considering the results of the demand analysis, the Utility Board received public comment and discussed the merits of alternative rate designs. The Utility Board adopted inclining block rates for Residential Class customers but determined that there was insufficient information on demand patterns of different types of customers within the Commercial Class to support an inclining block structure for that customer class at this time. Industrial Class customers were found to have stable usage throughout the year; therefore, the Utility Board

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adopted a uniform rate for that customer class. Given the lack of information regarding the causes of demand in the Public Authority Class and inconsistent patterns of demand among meters, the Utility Board adopted uniform rates for this customer class.

Commission staff concurred with the applicant's proposed rate design.

In its Final Decision in docket 5-WI-101, the Commission directed that the applicant shall track the actual costs related to installing, maintaining, and reading non-standard meters for customers who elect Option 1 and Option 2 in Schedule NSM-1, Non-Standard Meter Service, and provide a summary of this information as part this docket's water rate case application. ([PSC REF#: 175834](#)) However, the applicant only began charging the Non-Standard Meter Charge with the implementation of monthly billing in September 2014 and has neither a full year's worth of revenue generated by the Non-Standard Meter Charge nor a full year's of expenses related to reading and estimating the bills. Therefore, the charges in Schedule NSM-1 will remain at their present levels. The applicant shall continue to track the actual costs related to installing, maintaining, and reading non-standard meters for customers who elect Option 1 and Option 2 in Schedule NSM-1, Non-Standard Meter Service, and provide a summary of this information as part of its next rate case application.

As shown in attached Appendix B, the base-extra capacity cost allocation method results in a relatively wide range of increases in the charges to the various general service customer classes to reflect the cost of providing service to such classes. The percentage rate increase to any individual customer will not necessarily equal the overall percentage increase to the associated customer class, but will depend on the specific usage level of that customer.

Several water customers appeared at the hearing or filed comments on the Commission's Electronic Regulatory Filing (ERF) System in opposition to the rate increase. They expressed concern over the magnitude of the increase and its impact on customers, in particular, on the Residential Class, which includes single-family homes, duplexes, and individually-metered condominiums, apartment buildings, and mobile home parks. These customers also expressed concerns about use of inclining-block rates for the Residential Class, where the volume charge increases as consumption increases. The Commission appreciates the customers' concerns in this matter. However, the Commission finds that the revenue resulting from the authorized rates is necessary to provide for the financial needs and the water conservation goals of the utility over the long-term. The Commission further concludes that the rates as proposed by the applicant would provide a reasonable recovery of the revenue requirement and would help accomplish the water conservation goals of the applicant. Accordingly, the Commission approves the applicant's proposed rates as shown in Appendix C.

The authorized rates as set forth in Appendix C are based on the cost of supplying various classes or types of service. All customers will be required to pay an appropriate amount for the service provided.

Some typical water bills for Residential, Multifamily Residential, Commercial, Industrial, and Public Authority Class customers were computed using Schedule Mg-1 to compare existing rates with the new rates. That comparison is set forth in Appendix D.

The overall increase in annual revenues is 31 percent, comprised of a 30 percent increase in general service charges and a 36 percent increase in fire protection charges. A typical Residential Class customer's bill for general service and public fire protection service will rise



13 percent. Rates have risen because of a 31 percent increase in gross plant investment and a 22 percent increase in operating expenses since the applicant's last rate case in 2011. The typical bills calculated using the authorized rates are below average when compared with those of similar water utilities in the state.

The annual public fire protection charge will increase by 36 percent, compared to a 30 percent increase in general service charges. The larger increase in the public fire protection charge results because a greater proportion of the annual operating costs is allocated to fire protection than was allocated at the time of the applicant's last rate proceeding, based on current ratios of maximum general service demand to available system fire protection capacity. The larger increase in the public fire protection charge is reasonable in that it appropriately reflects the cost of providing service.

The authorized general service rates provide a greater percentage increase to large-volume users than for average residential customers. This greater increase is caused by the relatively larger increases in the rates for the high-volume rate blocks based on the results of the base-extra capacity cost allocation as discussed above. The greater increase to large-volume users is reasonable in that the authorized rates more appropriately reflect the cost of providing service than do the present rates.

The applicant's tariff provisions (operating rules and main extension rules) are consistent with those of other Wisconsin water utilities. They are in accordance with Commission policy and the Wisconsin Administrative Code.

### **Conservation Accounting**

In its Final Decision in docket 3280-WR-112, the Commission directed the applicant to record an annual water conservation and efficiency program accrual in the amount of \$350,000. ([PSC REF#: 147911](#)) Of these annual accruals, \$213,433 had not been spent by December 31, 2013. An annual amount of \$290,000 will be a better estimate of the annual spending on these programs in the future. To pay for this level of spending, the applicant will use approximately \$71,144 of the underspent amount annually for three years. On the effective date of this rate order, the utility is authorized to record an annual program accrual of \$220,000 per year. The current accrual of \$220,000 per year plus the use of approximately \$70,000 per year of underspent funds will provide the funding for the \$290,000 per year of water conservation and efficiency program spending. Spending of more or less than this amount will be tracked through conservation escrow accounting. The applicant shall continue to record the \$220,000 annual accrual amount until the Commission authorizes new water conservation accrual amounts. Spending on conservation programs shall be recorded to Account 186, Other Deferred Debits. The balance of the underspent or overspent amount will be determined each year by netting the amounts recorded in Account 186 with the balance in the accrual account. The balance of underspent or overspent amounts will be accounted for in the applicant's next rate proceeding. If it is determined that additional expenditures are necessary to achieve the applicant's conservation goals, the applicant may request these expenditures in its next rate change application.

### **Effective Date**

The test year commenced on January 1, 2015. Pursuant to Wis. Stat. §§ 196.19 and 196.21, the changes in rates and tariff provisions that are authorized in this Final Decision take

effect no sooner than one day after the date of service, provided that these rates and tariff provisions are filed with the Commission and the utility makes a copy of the new rates available to the public before this date by placing a copy of the new rates at locations where customer payments are accepted, on the utility's Internet site, or in a form and place that is otherwise readily accessible to the public.

### **Order**

1. This Final Decision takes effect one day after the date of service.
2. The authorized rate increases and tariff provisions shall take effect no sooner than one day after the day the utility has: (a) filed these rates and tariff provisions with the Commission; and (b) made them available to the public at locations where customer payments are accepted, on the utility's Internet site, or in a form and place that is otherwise readily accessible to the public, pursuant to Wis. Stat. § 196.19 and Wis. Admin. Code § PSC 185.33(1)(f). If a copy of the new rates and tariff provisions is not made available to the public when they are filed with the Commission, the new rates and tariff provisions shall take effect one day after the day they are made available to the public.
3. The rates approved in this docket shall take effect no later than 90 days from the service date of this Final Decision or as directed by the Commission or Commission staff.
4. Madison Water Utility shall record an annual water conservation and efficiency program accrual amount of \$220,000 and shall continue to record this amount until the Commission authorizes new water conservation accrual amounts. Prior to its next rate change application, the applicant shall assess its existing conservation program and determine if additions to or expansion of its program are necessary to help achieve its conservation goals.

5. Madison Water Utility shall file an annual report with the Commission no later than April 1 of each year, beginning on April 1, 2016, that includes a description of its water conservation and efficiency programs, expenditures by program, the balance of its conservation program account, estimated water savings achieved, and progress toward meeting its conservation goals. The report shall include an analysis of Madison Water Utility's toilet rebate program, including: 1) effectiveness at reducing water use; 2) procedures for verifying that rebated toilets were properly installed; 3) efforts to work with existing energy efficiency retrofit programs; and 4) the number, location, and total dollar amount of rebates offered by customer class.

6. Madison Water Utility shall track the actual costs related to installing, maintaining, and reading non-standard meters for customers who elect Option 1 and Option 2 and provide a summary of the information as part of the utility's next rate case application.

7. After implementation of the rate structure, Madison Water Utility shall evaluate the effect of the new rates on consumer behavior and make further adjustments to the cost-of-service model and rate structure in its next rate case.

8. Jurisdiction is retained.

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Dated at Madison, Wisconsin, September 28, 2015.

For the Commission

A handwritten signature in black ink, appearing to read "Jeff Stone". The signature is fluid and cursive, with the first name "Jeff" and last name "Stone" clearly distinguishable.

Jeff Stone

Division Administrator  
Division of Water, Compliance, and Consumer Affairs

JAS:dlp:cnc DL:01262877

See attached Notice of Appeal Rights

PUBLIC SERVICE COMMISSION OF WISCONSIN  
610 North Whitney Way  
P.O. Box 7854  
Madison, Wisconsin 53707-7854

**NOTICE OF RIGHTS FOR REHEARING OR JUDICIAL REVIEW, THE  
TIMES ALLOWED FOR EACH, AND THE IDENTIFICATION OF THE  
PARTY TO BE NAMED AS RESPONDENT**

The following notice is served on you as part of the Commission's written decision. This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

*PETITION FOR REHEARING*

If this decision is an order following a contested case proceeding as defined in Wis. Stat. § 227.01(3), a person aggrieved by the decision has a right to petition the Commission for rehearing within 20 days of the date of service of this decision, as provided in Wis. Stat. § 227.49. The date of service is shown on the first page. If there is no date on the first page, the date of service is shown immediately above the signature line. The petition for rehearing must be filed with the Public Service Commission of Wisconsin and served on the parties. An appeal of this decision may also be taken directly to circuit court through the filing of a petition for judicial review. It is not necessary to first petition for rehearing.

*PETITION FOR JUDICIAL REVIEW*

A person aggrieved by this decision has a right to petition for judicial review as provided in Wis. Stat. § 227.53. In a contested case, the petition must be filed in circuit court and served upon the Public Service Commission of Wisconsin within 30 days of the date of service of this decision if there has been no petition for rehearing. If a timely petition for rehearing has been filed, the petition for judicial review must be filed within 30 days of the date of service of the order finally disposing of the petition for rehearing, or within 30 days after the final disposition of the petition for rehearing by operation of law pursuant to Wis. Stat. § 227.49(5), whichever is sooner. If an *untimely* petition for rehearing is filed, the 30-day period to petition for judicial review commences the date the Commission serves its original decision.<sup>1</sup> The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

If this decision is an order denying rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not permitted.

Revised: March 27, 2013

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<sup>1</sup> See *Currier v. Wisconsin Dep't of Revenue*, 2006 WI App 12, 288 Wis. 2d 693, 709 N.W.2d 520.

Appearances:

Madison Water Utility, applicant, by

Doran Viste, Assistant City Attorney  
Tom Heikkinen, General Manager  
Erik Granum, Consultant

Of the Commission Staff:

Andrew Cardon, Assistant General Counsel  
Anne Waymouth, Public Utility Auditor  
David Prochaska, Public Utility Rate Analyst

Members of the Public - In Opposition:

Todd Hayes  
Steven Levine

Members of the Public - In Support

Jon Standridge  
Nancy Standridge

Members of the Public - As Interest May Appear:

Gretchen Baehr  
Ron Oliver

**MADISON WATER UTILITY**  
**Comparison of Revenue**  
**at**  
**Present Rates, Cost of Service and Authorized Rates**

<u>Customer Class</u>	<u>Revenue at Present Rates</u>	<u>Cost of Service</u>		<u>Authorized Rates</u>		
		<u>Revenue Required</u>	<u>Increase over Present Rates</u>	<u>Revenue</u>	<u>Increase over Present Rates</u>	<u>Percent of Cost of Service</u>
Residential	\$10,948,417	\$13,731,302	25%	\$13,716,708	25%	100%
Multifamily Residential	\$4,708,071	\$5,690,858	21%	\$5,626,657	20%	99%
Commercial	\$4,145,205	\$5,263,792	27%	\$5,338,420	29%	101%
Industrial	\$1,074,632	\$1,449,894	35%	\$1,452,241	35%	100%
Public Authority	\$2,750,033	\$4,734,452	72%	\$4,742,278	72%	100%
City of Fitchburg	\$4,773	\$6,166	29%	\$6,159	29%	100%
Village of Maple Bluff	\$103,589	\$103,352	0%	\$103,523	0%	100%
Village of Shorewood Hills	\$149,434	\$110,062	-26%	\$110,480	-26%	100%
Waunona Sanitary District No. 2	\$77,171	\$58,319	-24%	\$58,331	-24%	100%
Private Fire Protection	\$377,180	\$513,101	36%	\$513,101	36%	100%
Public Fire Protection	<u>\$3,051,126</u>	<u>\$4,135,073</u>	36%	<u>\$4,136,928</u>	36%	100%
<b>Total</b>	<u>\$27,389,631</u>	<u>\$35,796,372</u>	31%	<u>\$35,804,825</u>	31%	100%
<b>Public Fire Protection</b>						
City of Madison	\$2,982,186	\$4,038,150	35%	\$4,040,028	35%	100%
City of Fitchburg	\$1,140	\$1,913	68%	\$1,908	67%	100%
Village of Maple Bluff	\$26,400	\$33,857	28%	\$33,852	28%	100%
Village of Shorewood Hills	\$26,400	\$39,524	50%	\$39,516	50%	100%
Waunona Sanitary District No. 2	<u>\$15,000</u>	<u>\$21,629</u>	44%	<u>\$21,624</u>	44%	100%
<b>Total</b>	<u>\$3,051,126</u>	<u>\$4,135,073</u>	36%	<u>\$4,136,928</u>	36%	100%
<b>Total - General Service and Public Fire Protection</b>						
City of Madison	\$26,608,544	\$34,908,449	31%	\$34,916,331	31%	100%
City of Fitchburg	\$5,913	\$8,079	37%	\$8,067	36%	100%
Village of Maple Bluff	\$129,989	\$137,209	6%	\$137,375	6%	100%
Village of Shorewood Hills	\$175,834	\$149,586	-15%	\$149,996	-15%	100%
Waunona Sanitary District No. 2	\$92,171	\$79,948	-13%	\$79,955	-13%	100%
<b>Total</b>	<u>\$27,389,631</u>	<u>\$35,796,372</u>	31%	<u>\$35,804,825</u>	31%	100%



**MADISON WATER UTILITY**

**Authorized Water Rates and Rules**

Public Fire Protection Service - - - F-1

Public fire protection service includes the use of hydrants for fire protection service only and such quantities of water as may be demanded for the purpose of extinguishing fires within the service area. This service shall also include water used for testing equipment and training personnel. For all other purposes, the metered or other rates set forth, or as may be filed with the Public Service Commission, shall apply.

Under Wis. Stat. § 196.03(3)(b), the municipality has chosen to have the utility bill the retail general service customers for public fire protection service.

Monthly Public Fire Protection Service Charges:

5/8 -inch meter - \$	2.03	3 -inch meter - \$	168.75
3/4 -inch meter - \$	5.75	4 -inch meter - \$	371.25
1 -inch meter - \$	13.00	6 -inch meter - \$	675.00
1¼ -inch meter - \$	18.00	8 -inch meter - \$	1,350.00
1½ -inch meter - \$	23.75	10 -inch meter - \$	2,362.50
2 -inch meter - \$	50.75	12 -inch meter - \$	3,375.00

Customers who are provided service under Schedules Mg-1, Ug-1, or Sg-1 shall be subject to the charges in this schedule according to the size of their primary meter. Customers who are provided service under Schedule Am-1 are exempt from these charges for any additional meters.

Under Wis. Stats. §196.03(3)(b), the City of Madison has elected to make the charges in this schedule applicable to non-general service customers who own property that is located both within the municipal limits and in an area where the utility has an obligation to provide water for public fire protection. Each parcel shall be billed at the 5/8-inch meter rate under this schedule.

Billing: Same as Schedule Mg-1.

Public Fire Protection Service - - - Fd-1

Delete.

Private Fire Protection Service - Unmetered - - - Upf-1

This service shall consist of permanent or continuous unmetered connections to the main for the purpose of supplying water to private fire protection systems such as automatic sprinkler systems, standpipes, and private hydrants. This service shall also include reasonable quantities of water used for testing check valves and other backflow prevention devices.

Monthly Private Fire Protection Service Demand Charges:

1½ - inch or smaller connection - \$	2.40
2 - inch connection - \$	3.30
3 - inch connection - \$	5.90
4 - inch connection - \$	9.90
6 - inch connection - \$	19.80
8 - inch connection - \$	31.70
10 - inch connection - \$	47.60
12 - inch connection - \$	63.40
14 - inch connection - \$	79.30
16 - inch connection - \$	95.20

Billing: Same as Schedule Mg-1.

General Service - Metered - - - Mg-1

Monthly Service Charges (All Customer Classes):

5/8 -inch meter - \$	5.70	3 -inch meter - \$	38.10
¾ -inch meter - \$	6.70	4 -inch meter - \$	57.20
1 -inch meter - \$	9.80	6 -inch meter - \$	98.40
1¼ -inch meter - \$	12.70	8 -inch meter - \$	152.40
1½ -inch meter - \$	15.90	10 -inch meter - \$	223.50
2 -inch meter - \$	23.50	12 -inch meter - \$	298.50

Plus Volume Charges:

Residential Class Customers:

First	3,000	gallons used monthly - \$2.84 per 1,000 gallons
Next	3,000	gallons used monthly - \$3.26 per 1,000 gallons
Next	3,000	gallons used monthly - \$3.60 per 1,000 gallons
Next	5,000	gallons used monthly - \$4.50 per 1,000 gallons
Over	14,000	gallons used monthly - \$5.07 per 1,000 gallons

Multifamily Residential Class Customers:

All water used monthly - \$2.60 per 1,000 gallons

Commercial Class Customers:

All water used monthly - \$2.68 per 1,000 gallons

Industrial Class Customers:

All water used monthly - \$2.50 per 1,000 gallons

Public Authority Class Customers:

All water used monthly - \$3.31 per 1,000 gallons

**Residential Class** includes single-family homes, duplexes, and individually-metered condominiums, apartment buildings, and mobile home parks.

**Multifamily Residential Class** includes master-metered multifamily dwelling units such as condominiums, apartment buildings, and mobile home parks.

**Commercial Class** includes business entities and institutions, except governmental entities, that provide goods or services. Churches and parochial schools are not governmental and are classified as commercial.

**Industrial Class** includes customers who are engaged in the manufacture or production of goods.

**Public Authority Class** includes any department, agency, or entity of local, state, or federal government, including public schools, colleges, and universities.

Billing: Bills for water service are rendered monthly and become due and payable upon issuance following the period for which service is rendered. A late payment charge of 1 percent per month will be added to bills not paid within 20 days of issuance. This late payment charge shall be applied to the total unpaid balance for utility service, including unpaid late payment charges. This late payment charge is applicable to all customers. The utility customer may be given a written notice that the bill is overdue no sooner than 20 days after the bill is issued. Unless payment or satisfactory arrangement for payment is made within the next 10 days, service may be disconnected pursuant to Wis. Admin. Code ch. PSC 185.

Combined Metering: For residential customers, volumetric readings from all meters on a single service lateral shall be combined for billing. For nonresidential customers, volumetric readings may be combined for billing if the utility for its own convenience places more than one meter on a single water service lateral. This requirement does not preclude the utility from combining readings where metering configurations support such an approach. Volumetric readings from individually metered separate service laterals may not be combined for billing purposes.

#### Non-Standard Meter Service - - - NSM-1

The utility has chosen to install wireless advanced meters as standard equipment for all customers. Customers who are provided service under Schedule Mg-1 and choose not to have a standard wireless advanced meter installed on their premises may select one of the following options.

#### Service Charges:

Option 1: Installation of electronic read transmitter on the outside of the building. A customer electing this option shall pay a one-time charge at the actual cost for each non-standard meter installation.

Option 2: No electronic read transmitter anywhere on property. A customer electing this option shall pay a monthly non-standard meter charge of \$7.78 for each non-standard meter. In addition, if an electronic meter read transmitter is installed, and the customer requests to have it removed, the requester shall pay a one-time charge at the actual cost for each transmitter removed.

If a customer establishes service at a new location where a standard meter is installed, and the customer requests non-standard meter service, the utility shall assess the customer a one-time charge, based on actual utility costs, for the installation of a non-standard meter.

If a customer establishes service at a location where a non-standard meter is installed, the utility may not assess a charge for installing a standard meter and wireless transmitter.

The utility may not charge an existing customer who chooses to convert from a non-standard meter to a standard meter. The customer remains responsible for any unpaid non-standard meter charges incurred prior to the conversion.

Billing: Same as Schedule Mg-1.

Wholesale Water Service - - - W-1

Monthly Public Fire Protection Service Charges:

Fitchburg	\$ 159.00
Maple Bluff	\$2,821.00
Shorewood Hills	\$3,293.00
Waunona Sanitary District No. 2	\$1,802.00

Monthly General Service Charges:

Fitchburg	\$ 98.40
Maple Bluff	\$ 393.60
Shorewood Hills	\$ 447.60
Waunona Sanitary District No. 2	\$ 196.80

Plus Volume Charges:

Fitchburg	\$2.84 per 1,000 gallons
Maple Bluff	\$2.05 per 1,000 gallons
Shorewood Hills	\$1.50 per 1,000 gallons
Waunona Sanitary District No. 2	\$1.54 per 1,000 gallons

Billing: Same as Schedule Mg-1.

Other Charges - - - OC-1

Payment Not Honored by Financial Institution Charge: The utility shall assess a \$25.00 charge when a payment rendered for utility service is not honored by the customer's financial institution. This charge may not be in addition to, but may be inclusive of, other such charges when the payment was for multiple services.

Billing: Same as Schedule Mg-1.

Non-Sufficient Funds Charge - - - NSF-1

Delete.

Public Service - - - Mpa-1

Metered Service

Water used by the City of Madison on an intermittent basis for flushing sewers, street washing, flooding skating rinks, drinking fountains, etc., shall be metered and billed according to the rates set forth in Schedule Mg-1 for nonresidential customers.

Unmetered Service

Where it is impossible to meter the service, the utility shall estimate the volume of water used based on the pressure, size of opening, and the period of time the water is used. The estimated quantity shall be billed at the volumetric rates set forth in Schedule Mg-1 for nonresidential customers, excluding any service charges.

Billing: Same as Schedule Mg-1.

General Water Service - Unmetered - - - Ug-1

Service may be supplied temporarily on an unmetered basis where the utility cannot immediately install a water meter, including water used for construction. Unmetered service shall be billed the amount that would be charged to a metered residential customer using 4,000 gallons of water per month under Schedule Mg-1, including the service charge for a 5/8-inch meter. If the utility determines that actual usage exceeds 4,000 gallons of water per month, an additional charge for the estimated excess usage shall be made according to the rates under Schedule Mg-1.

This schedule applies only to customers with a 1-inch or smaller service connection. For customers with a larger service connection, the utility shall install a temporary meter and charges shall be based on the rates set forth under Schedule Mg-1.

Billing: Same as Schedule Mg-1.

Seasonal Service - - - Sg-1

Seasonal customers are general service customers who voluntarily request disconnection of water service and who resume service at the same location within 12 months of the disconnection, unless service has been provided to another customer at that location in the intervening period. The utility shall bill seasonal customers the applicable service charges under Schedule Mg-1 year-round, including the period of temporary disconnection.

Seasonal service shall include customers taking service under Schedule Mg-1 or Schedule Ug-1.

Upon reconnection, the utility shall apply a charge under Schedule R-1 and require payment of any unpaid charges under this schedule.

Billing: Same as Schedule Mg-1, unless the utility and customer agree to an alternative payment schedule for the period of voluntary disconnection.

Bulk Water - - - BW-1

All bulk water supplied from the water system through hydrants or other connections shall be metered or estimated by the utility. Utility personnel or a party approved by the utility shall supervise the delivery of water.

Bulk water sales are:

- A. Water supplied by tank trucks or from hydrants for the purpose of extinguishing fires outside the utility's service area;
- B. Water supplied by tank trucks or from hydrants for purposes other than extinguishing fires, such as water used for irrigation or filling swimming pools; or,
- C. Water supplied from hydrants or other temporary connections for general service type applications, except that Schedule Ug-1 applies for water supplied for construction purposes.

Metered Hydrant and Other Measured Connection Charges

A charge for the volume of water used will be billed to the party using the water at the highest volume charge in Schedule Mg-1. A service charge, in addition to the volumetric charge, will be \$50.00. In addition, for meters that are assigned to bulk water customers for more than 7 days, the applicable service charge in Schedule Mg-1 will apply after the first 7 days.

Unmetered Hydrant Charges

Hydrants may be used for short periods upon payment of charges as specified, with such usage subject to conditions outlined here or specified by the rules and regulations of the water utility.

Charge for initial period not to exceed 15 days - \$310.00

This charge is based on the following:

Service charge for installation -	\$120.00
Water usage charge (minimum of 37,500 gallons) -	\$190.00

Additional Charges

Installation of additional valves at same time as initial installation -	\$30.00
Moving valve to another hydrant vicinity -	\$60.00
Water usage charge (after initial period of use beyond 15 days) -	\$12.70 per day
Hydrant flow test -	\$120.00 per test

Deposits

The water utility may require reasonable deposits for the temporary use of its equipment under this and other rate schedules. The deposit(s) collected will be refunded upon return of the utility's equipment. Damaged or lost equipment will be repaired or replaced at the customer's expense.

A service charge of \$50.00 and a charge for the volume of water used shall be billed to the party using the water. The volumetric charge shall be calculated using the highest volumetric rate for residential customers under Schedule Mg-1. In addition, for meters that are assigned to bulk water customers for more than 7 days, the applicable service charge in Schedule Mg-1 will apply after the first 7 days.

The water utility may require a reasonable deposit for the temporary use of its equipment under this and other rate schedules. The deposit(s) collected shall be refunded upon return of the utility's equipment. Damaged or lost equipment shall be repaired or replaced at the customer's expense.

Billing: Same as Schedule Mg-1.

Reconnection Charges - - - R-1

	<u>During Normal Business Hours</u>	<u>After Normal Business Hours</u>
Reinstallation of meter, including valving at curb stop	\$ 50.00	\$ 70.00
Valve turned on at curb stop	\$ 30.00	\$ 50.00

Note: No charge for disconnection.

Billing: Same as Schedule Mg-1.



Water Lateral Installation Charge - - - Cz-1

Subdivision developers shall be responsible, where the main extension has been approved by the utility, for the water service lateral installation costs from the main through the curb stop and box.

When the cost of service laterals installed during a utility main extension are to be collected through assessment, the assessment rate will be determined for each installation project based on the actual cost of that project.

The initial water service lateral(s), not installed as part of a subdivision development or an assessable utility extension, will be installed at the property owner’s expense from the main through the curb stop and box as follows:

<u>Size</u>	<u>Improvement Service Lateral</u>	<u>Regular Service Lateral</u>
1, 1½, and 2-inch	by Utility at Actual Cost	by Property Owner’s Contractor
4-inch and larger	by Utility at Actual Cost	by Utility at Actual Cost or by Property Owner’s Contractor

A water service lateral is a water supply pipe laid from a water main through the curb stop and box, usually set 8 feet into the street right of way.

An improvement service lateral is a water service lateral installed in a new plat or a new street project prior to paving where service will not be used until a later date.

A regular service lateral is a water service lateral installed upon application by the property owner.

Madison Water Utility will make no connections to the property owner’s service lateral. Connection will be made by the property owner’s plumber.

If a property owner requests that a service lateral be installed by a Board of Public Works approved contractor, all work shall be done in accordance with the City of Madison Standard Specifications for Public Works Construction. A water utility inspector must be present during installation, and the property owner is responsible for paying an inspection fee at the time of application. This inspection fee shall be a reasonable cost as set forth in the water utility’s Fee Schedule approved by the Board of Water Commissioners. The contractor shall provide the water utility a minimum notice of one working day so that an inspector can be scheduled. The contractor shall also provide the water utility with the cost of installation for the street portion of the service lateral.

Lead Service Laterals

When property owners apply for lead service lateral replacement, new service laterals will be installed on the utility side at no expense to the property owner if they are properly sized. If

existing service laterals are not properly sized, the water utility will install the adequate size and the property owner will be charged for the incremental cost of materials and labor as set forth in the water utility's Fee Schedule approved by the Board of Water Commissioners.

Billing: Same as Schedule Mg-1.

Rules and Regulations - - - X-1

Delete Schedule X-1. Incorporate the operating rules for municipal water utilities as provided by the Public Service Commission.

Water Main Extension Rules - - - X-2

Application

Written application for extension of a water main shall be made to the Water Utility Manager by the owner of the property to be benefited, or his authorized agent. The application shall state the location of the premises to be served by its officially recorded description. To support an application, the applicant may submit the signatures of owners of land fronting on said main extension agreeing to their intent to apply for water service upon completion of said extension.

Location of Property to be Served

All property to be served by the main extension shall front on an existing public right-of-way or public water main easement, unless specifically authorized by resolution of the Madison Common Council.

Methods for Installation of Mains

A. Private Contracts

This is the most common method for installing mains. It is intended for use when all the property to be serviced by the main extension is under one ownership. The method is as follows:

1. The developer applies for a main extension and indicates that the mains are to be installed by private contract.
2. The Board of Public Works introduces a resolution to the Common Council whereby the Council orders the main laid and authorizes the Mayor and City

Clerk to enter into a contract with the developer for the installation of the mains by private contract.

3. The developer and the City enter into a contract whereby the City agrees to provide water service and the developer agrees to install all water mains 10 inches and smaller at no cost to the City. For mains 12 inches and larger, the City agrees to pay the incremental material cost between 10 inch and the size installed. The developer further agrees to prepay all City costs of the project; to provide a performance bond, irrevocable letter of credit, or certified check for the full amount of the project to be in effect for one year after acceptance of the project; and upon acceptance of the project to turn ownership and control of the mains over to the water utility.
4. The developer engages a contractor who is qualified by the Board of Public Works who installs the water mains.
5. Upon completion of the project, the water utility will require certification that all bills are paid and will then introduce a resolution to the Common Council accepting the project. One year after the acceptance, the bond, irrevocable letter of credit, or the certified check will be released.

B. Water Utility Contract with Future Assessments and Refunds

This method may be used at the option of the Water Utility Manager when a large portion of the project will benefit property not under the ownership of the developer. The method is as follows:

1. The water utility will determine the amount, based on the assessment rate as per Chapter 13.19 of the City Ordinances, which would be assessed if the entire project were to be immediately assessable.
2. The Board of Public Works introduces a resolution to the Common Council whereby the Council orders the mains to be laid and authorizes the Mayor and City Clerk to enter into a contract with the party applying for the main.
3. The City and the party applying for the main enter into a contract whereby the City agrees to install the main and the party applying for the main agrees to prepay the amount determined in B.1. The City further agrees that, after all the costs of the project are accounted for, a revised assessment rate shall be determined as per the procedure outlined in Chapter 13.19. The City further agrees that as property along the mains, which is not under the ownership of the party requesting the mains, becomes assessable, the City will assess said property in accordance with Chapter 13.19. If said property is assessed within 10 years of

the date of acceptance of the project, the assessments shall be returned to the party requesting the main. If the property is assessed after that date, the water utility shall retain the assessments.

4. The City then lets a contract and has the mains installed.

C. Water Utility Contract with Assessments

This method is intended for use only upon approval of the Water Utility Manager when funds are available for utility financed mains. The method is intended mainly for use when there is no party requesting water service, such as when mains are installed in street projects or to improve the hydraulic characteristics of the distribution system.

In those cases where this method is used to install mains upon application, the person requesting the mains shall be responsible for grading the street prior to main construction and for any additional construction costs due to frozen ground.

SEE MADISON GENERAL ORDINANCE 13.19

**MADISON WATER UTILITY****Customer Water Bill Comparison at Present and Authorized Rates**

Customer Type	Meter Size	Volume (1,000 Gallons)	<u>Monthly</u>			<u>Monthly Including Public Fire Protection</u>		
			Bills at Old Rates	Bills at New Rates	Percent Change	Bills at Old Rates	Bills at New Rates	Percent Change
Small Residential	5/8"	2	\$ 10.12	\$ 11.38	12%	\$ 11.62	\$ 13.41	15%
Average Residential	5/8"	4	\$ 15.74	\$ 17.48	11%	\$ 17.24	\$ 19.51	13%
Large Residential	5/8"	10	\$ 32.60	\$ 39.30	21%	\$ 34.10	\$ 41.33	21%
Large Residential	5/8"	16	\$ 49.46	\$ 67.44	36%	\$ 50.96	\$ 69.47	36%
Large Residential	5/8"	30	\$ 88.80	\$ 138.42	56%	\$ 90.30	\$ 140.45	56%
Multifamily Residential	5/8"	40	\$ 98.10	\$ 109.70	12%	\$ 99.60	\$ 111.73	12%
Multifamily Residential	5/8"	100	\$ 219.29	\$ 265.70	21%	\$ 220.79	\$ 267.73	21%
Multifamily Residential	1"	200	\$ 405.54	\$ 529.80	31%	\$ 415.04	\$ 542.80	31%
Multifamily Residential	1"	500	\$ 954.54	\$ 1,309.80	37%	\$ 964.04	\$ 1,322.80	37%
Commercial	1"	32	\$ 82.63	\$ 95.56	16%	\$ 92.13	\$ 108.56	18%
Commercial	1 1/2"	100	\$ 227.29	\$ 283.90	25%	\$ 244.79	\$ 307.65	26%
Commercial	2"	250	\$ 507.79	\$ 693.50	37%	\$ 545.29	\$ 744.25	36%
Commercial	6"	4,600	\$ 8,527.29	\$ 12,426.40	46%	\$ 9,027.29	\$ 13,101.40	45%
Industrial	1"	65	\$ 158.49	\$ 172.30	9%	\$ 167.99	\$ 185.30	10%
Industrial	4"	900	\$ 1,723.79	\$ 2,307.20	34%	\$ 1,998.79	\$ 2,678.45	34%
Industrial	6"	7,000	\$ 12,919.29	\$ 17,598.40	36%	\$ 13,419.29	\$ 18,273.40	36%
Industrial	6"	17,000	\$ 31,219.29	\$ 42,598.40	36%	\$ 31,719.29	\$ 43,273.40	36%
Public Authority	1"	125	\$ 268.29	\$ 423.55	58%	\$ 277.79	\$ 436.55	57%
Public Authority	4"	4,500	\$ 8,311.79	\$ 14,952.20	80%	\$ 8,586.79	\$ 15,323.45	78%
Public Authority	8"	6,000	\$ 11,131.79	\$ 20,012.40	80%	\$ 12,131.79	\$ 21,362.40	76%
Public Authority	10"	18,000	\$ 33,147.79	\$ 59,803.50	80%	\$ 34,897.79	\$ 62,166.00	78%

**MADISON WATER UTILITY****Schedule of Depreciation Rates****Effective January 1, 2015**


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<u>Account</u> <u>Number</u>	<u>Class of Plant</u>	<u>Depr.</u> <u>Rate</u>
	SOURCE OF SUPPLY PLANT	
312	Collecting and Impounding Reservoirs	1.7%
314	Wells and Springs	2.9%
317	Other Water Source Plant	4.5%
	PUMPING PLANT	
321	Structures and Improvements	3.2%
323	Other Power Production Equipment	4.4%
325	Electric Pumping Equipment	4.4%
328	Other Pumping Equipment	4.4%
	WATER TREATMENT PLANT	
331	Structures and Improvements	3.2%
332	Sand and Other Media Filtration Equipment	3.3%
334	Other Water Treatment Equipment	6.0%
	TRANSMISSION AND DISTRIBUTION PLANT	
341	Structures and Improvements	3.2%
342	Distribution Reservoirs and Standpipes	1.9%
343	Transmission and Distribution Mains	1.3%
345	Services	2.9%
346	Meters	5.5%
348	Hydrants	2.2%
349	Other Transmission and Distribution Plant	5.0%
	GENERAL PLANT	
390	Structures and Improvements	2.9%
391	Office Furniture and Equipment	5.8%
391.1	Computer Equipment	26.7%
392	Transportation Equipment - Note 1	13.3% UNIT
393	Stores Equipment	5.8%
394	Tools, Shop and Garage Equipment	5.8%
395	Laboratory Equipment	5.8%
396	Power Operated Equipment - Note 1	7.5% UNIT
397	Communication Equipment	15.0%
397.1	SCADA/Telemetry Equipment	9.2%

Note 1 - The utility uses a unit basis for Account 392 and Account 396, which are certified for use.