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PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of the City of Madison, Dane County, Wisconsin, as a
Water Public Utility, for Authority to Adjust Water Rates

3280-WR-116

Public Service Commission of Wisconsin
RECEIVED: 12/29/2022 1:05:00 PM**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 (MWU or applicant) for approval to adjust water rates. Final overall rate changes for the test year ending December 31, 2022 are authorized, consisting of a \$8,499,036 annual rate increase, or an overall increase of 18.22 percent over present revenues, based on a return on net investment rate base of 5.40 percent.

Introduction

On December 8, 2021, MWU filed a revised conventional rate case application seeking an overall increase in annual revenues of \$8,532,664, or 18.19 percent over present revenues. The Commission issued a Notice of Proceeding on April 7, 2022.

([PSC REF#: 434695](#).) On July 20, 2022, Administrative Law Judge (ALJ) Michael E. Newmark issued an Order establishing the issues and schedule and incorporating the Guidelines for Contested Rate Proceedings. ([PSC REF#: 443146](#).)

On September 7, 2022, an audiovisual public hearing was held before ALJ Newmark for members of the public, and a party hearing was held simultaneously for the parties to this proceeding to receive technical information and public comments. ([PSC REF#: 444895](#).) The

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Commission's public hearing process involved the opportunity to submit written comments through the Commission's website or at the public hearing, or to testify at the public hearing.

The parties, for purposes of review under Wis. Stat. §§ 227.47 and 227.53, are listed in Appendix A. The applicant is the only party to this proceeding.

The Commission considered this matter at its open meeting of October 27, 2022.

Findings of Fact

1. MWU is a municipally owned public utility as defined in Wis. Stat. § 196.01(5)(a), providing water service to customers in the City of Madison and surrounding areas of Dane County.
2. MWU's presently authorized rates for water utility service will produce operating revenues of \$48,003,484 for the 2022 test year. These rates fall short of the test year revenue needed by \$8,498,655 and are unreasonable.
3. The estimated net investment rate base applicable to water utility operations for the 2022 test year is \$221,554,565.
4. It is reasonable for MWU to cash fund 0.4 percent of main replacements through an increase in depreciation, which in this case would provide cash funding of \$5,000,000 for replacement of mains.
5. It is reasonable for MWU to establish a \$148,714 two-year pilot Customer Assistance Program (CAP), with conditions discussed below.
6. It is reasonable to adopt the draft CAP tariff language, as received from MWU into the record.

7. It is reasonable to require MWU to file an updated financial plan within 60 days of the Commission's Final Decision.

8. It is reasonable to adopt the revenue allocation proposed by Commission staff in Ex.-PSC-Fisher-1, not including a fixed main replacement charge.

9. It is reasonable for the following additions to be made to MWU's water main replacement process as a condition of approval to cash fund water mains using expense depreciation:

- a. MWU shall record the additional depreciation accrual monthly in a subaccount, starting in the month the rate increase takes effect, until the depreciation accrual is changed by the Commission.
- b. MWU shall invest the approved depreciation expense only in water main replacements, except the funds may be used by MWU to make debt payments if necessary. If the funds are needed to make debt payments, MWU shall notify the Commission and apply for a rate increase within 45 days of fund use.
- c. MWU shall keep the funds that are collected through the additional depreciation in a segregated account.
- d. MWU shall report annually, at the time it files its PSC Annual Report with the Commission, the funds that have been collected through expense depreciation, the use of the funds, and the balance of funds remaining. MWU shall report the number of miles of water main replaced, the percentage of the water main replaced, and the age of the main replaced under this program, as well as any changes to the scope of its water main replacement plan.

- e. If MWU increases rates through the Simplified Rate Case (SRC) process, the \$5,000,000 designated for the water main replacement program shall also be increased by the rate increase factor. The increased amount shall be segregated and used only for the water main replacement program.
 - f. MWU shall file the amended Capital Improvement Plan budget of \$5,000,000 that has been approved by the Common Council within 90 days of the Final Decision in this case.
 - g. MWU shall be required to invest at least 80 percent of the funds collected in the same year in which funds are collected and spend any remaining unspent funds from a given year within 24 months of the end of the year in which the funds were collected.
10. It is reasonable for MWU to work with Commission staff to identify and include in its PSC Annual Report detailed descriptions of the work completed using expense depreciation funds.
11. It is reasonable to require MWU to report on the following metrics related to its CAP:
- a. Number of households participating in the CAP
 - b. Number of households participating as a percentage of eligible households, and usage
 - c. Reduction in utility arrears attributable to CAP
 - d. Annual administrative cost
 - e. Number of CAP participants that participated in Project Home conservation programs and other conservation qualifiers, and respective usage

- f. The number of households participating that are renters vs. owners with the usage of each type participant (renters vs. owners) segregated
 - g. Average incomes of participants in each category
 - h. Average reduction in water bill as a percentage of the bill
 - i. Administrative costs attributable to the program and savings
 - j. Monthly program enrollment numbers
 - k. The utility operational savings attributable to the program
12. In relation to the authorized cash adder, it is reasonable that:
- a. MWU shall maintain the incremental funds provided by the cash adder in a segregated account, which is restricted to limit the use of those funds for purposes of debt service and the funding of capital expenditures.
 - b. MWU's revenues and retained earnings shall not be pledged for indebtedness or expenses unrelated to its operation without prior Commission approval.
13. It is reasonable to order MWU to file an application for another conventional rate case based on a 2025 test year within two years from the effective date of the Final Decision in this proceeding.
14. 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 MWU to increase water utility rates and revise tariff provisions.
3. The rates and rules for water utility service set forth in Appendix C are just, reasonable, and appropriate as a matter of law.

Opinion

Applicant and its Business

MWU is a public utility, as defined in Wis. Stat. § 196.01(5)(a), operating as a water public utility in Wisconsin. MWU’s service territory includes the City of Madison in Dane County, Wisconsin. MWU provides water service to approximately 71,160 retail water customers and wholesale water service to three utilities (Fitchburg Water Utility, Village of Maple Bluff Municipal Water Utility, and Village of Shorewood Hills Water Utility).

Net Investment Rate Base

The estimated net investment rate base for the 2022 test year is as follows:

Utility Financed Plant in Service	\$308,359,246
Less: Accumulated Provision for Depreciation	<u>\$86,887,603</u>
Net Plant in Service	\$221,471,643
Plus: Materials and Supplies	774,000
Less: Regulatory Liability for Pre-2003 Accumulated Depreciation - CIAC	<u>691,078</u>
Net Investment Rate Base	<u>\$221,554,565</u>

Comparative Income Statement

MWU and Commission staff presented testimony and exhibits concerning the estimated revenue requirement associated with MWU’s water utility operations. The estimated test year income statement showing the effect of the increase in revenue that will result from authorized rates is as follows:

	<u>At Present Rates</u>	<u>Authorized Increase</u>	<u>After Rate Increase</u>
Operating Revenues	\$48,003,484	\$8,498,655	\$56,502,139
Operating Expenses:			
Oper. & Maint. Exp.	\$18,483,614		\$18,483,614
Depreciation	11,418,730		11,418,730
Taxes & Tax Equiv.	<u>8,135,848</u>		<u>8,135,848</u>
Total Oper. Expenses	<u>\$38,038,192</u>		<u>\$38,038,192</u>
Oper. Income (or Loss)	<u>\$9,965,292</u>		<u>\$18,463,947</u>
Rate of Return	4.50%		5.40%+Cash Adder

Commission staff computed the depreciation expense included in the revenue requirement for the 2022 test year using the depreciation rates shown in Appendix E. For purposes of computing the depreciation expense on the average investment for each plant account, these depreciation rates are effective as of January 1, 2022.

Expense Depreciation

Cash Funding Main Replacements

MWU’s water mains are aging, and at some point, will all require replacement. Generally, water mains have a useful life of 85-100 years. MWU initiated installation of its water mains in 1884 and built out its system fairly evenly over time. MWU currently has

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approximately 904 miles, or 4,772,400 feet, of main in its distribution system. MWU analyzed its water distribution system and determined that the thin-walled cast iron material installed between 1942 and 1954, and the standard-wall cast iron mains installed through 1968, contributed to a majority of MWU's main breaks. Over 250 miles of the thin-walled and standard cast iron mains remain in service throughout the system. MWU proposed prioritizing replacement of this cast iron main to reduce the frequency of water main breaks over time, water loss, and maintenance costs, and thus improve both system efficiency and financial integrity in the process.

MWU has historically funded water main replacements using general obligation debt and internally generated funds. With main replacement currently costing approximately \$258 per foot (5,280 feet = 1 mile), it would cost approximately \$1.23 billion to replace all the water main in MWU's system. Over the last 10 years, MWU replaced approximately one percent of mains annually and issued debt for most of those mains. As a result, MWU found itself in an unrestricted cash crisis by 2017, and the Commission ordered MWU to file a financial plan in docket 3280-WR-114. Through its financial analysis, MWU determined that the traditional regulatory model (cost of service plus rate of return regulation) would likely require MWU to incur significantly higher debt obligations to fund the high projected cost of its water main replacement plan. Higher debt levels would result in upward pressure on its future revenue requirement and ultimately on its customers' rates.

Alternatively, MWU proposed cash funding its main replacement program through expense depreciation in order to replace about 0.4 percent of main each year. At the replacement rate of 0.4 percent of main per year, MWU will be able to address, through strategic replacement

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and rehabilitation efforts, over one percent of the priority cast iron water mains in the system per year. MWU's primary priority is to replace the mains from 1941-1970, and its secondary priority is to replace the mains from pre-1900 to 1940. By material type, the primary focus is to replace the cast iron and spun cast mains, and its secondary priority is to replace sand mains. MWU will also coordinate the water main replacements with the City of Madison's street rehabilitation program.

MWU estimated that the cost to replace 3.7 miles, or 19,536 feet (0.4 percent), per year of this system is \$5,000,000. MWU's expense depreciation proposal increases depreciation expense for a new subaccount of water mains by a fixed \$5,000,000 annually, or \$416,667 each month. Using expense depreciation has the effect of raising MWU's revenue requirement and rates in the short term but lowering costs and rates in the long term when compared with the traditional regulatory model.

The method proposed by MWU is similar to the tax concept of expense depreciation, where businesses claim expense depreciation to a certain threshold, rather than capitalizing the assets and expensing them over time. MWU's proposal would fund, on average, approximately 0.4 percent of water main replacement using expense depreciation, and main replacements over the 0.4 percent threshold would be subject to current age-life methods of depreciation.

Commission staff agreed that debt financing may not be an optimal funding strategy in this case, and expense depreciation provides a reasonable alternative which would facilitate the necessary system repair and replacement, avoid higher interest expenses in the long term, and assist in maintaining the long-term strength and stability of MWU's capital structure and other financial metrics.

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MWU is the fourth water utility to request this type of funding for water main replacements. The first case in which a water utility requested this type of funding for water main replacements was Marshfield Utilities in docket 3420-WR-106 with a Final Decision issued May 26, 2017. The second case was Janesville Water Utility (JWU) in docket 2740-WR-110 with a Final Decision issued October 16, 2019. The third case was Fort Atkinson Water Utility (FAWU) in docket 2060-WR-106 with a Final Decision issued July 28, 2021. The Commission finds that the reasoning and analysis presented by MWU is consistent with the Commission's rationale for authorizing similar programs for the City of Marshfield in docket 3420-WR-106, the City of Janesville in docket 2740-WR-110, and the City of Fort Atkinson in docket 2060-WR-106.

The Commission finds it reasonable to accept MWU's proposal to increase depreciation expenses to allow MWU to cash fund water main replacements, as local decision makers provided a long-term commitment to the program, and the proposal will result in savings to customers over the long term and will promote a stable capital structure for MWU. The unique aspects of MWU's water main replacement plan under which the water main will be replaced in a consistent, sustainable manner will assist MWU in maintaining a balanced capital structure while still ensuring intergenerational equity. The program will also reduce the frequency of water main breaks by ensuring replacement of the deficient water mains.

Level of Cash Funding

MWU's proposal is similar to the Commission-approved programs for Janesville, Marshfield, and Fort Atkinson in that all three utilities have long-term plans to replace water mains each year into perpetuity. However, MWU proposes to replace only 0.4 percent per year, whereas the other Commission-approved plans were approved to replace one percent of mains

per year for the other utilities. Replacement at one percent per year generally provides for the full replacement cost of main within its lifespan and is preferred by the Commission to avoid intergenerational inequities. In the current rate case, MWU determined that debt financing of main replacements is no longer feasible and that expense depreciation would fund a consistent, sustainable program of main replacements, improve its financial condition, and reduce overall costs. ([PSC REF#: 447054](#).) A full one percent of annual main replacement would not allow the MWU to meet its goals of keeping rate increases to less than 10 percent a year and rates at no more than the 75th percentile for Class AB utilities. However, although it did not provide a specific timeline to do so, MWU expects to increase the amount of funding for the main replacement program to the level of one percent in the next five to ten years as it makes progress on its financial plan, and more specifically, its debt load. As such, the Commission encourages MWU to evaluate increasing its level of expense depreciation in future capital improvement and financial plans in order to achieve a full one percent of expense depreciation in the near future.

Commission staff noted that, typically, cash funding long-lived assets, such as water mains, may lead to concerns about intergenerational equity; however, as the proposed project would replace the water mains at a stable rate over their useful life, such concerns would be lessened in this particular case, as all customers would be contributing to water main replacements through time. The Commission notes that cash funding 0.4 percent of water main consistently each year will require all customers to contribute less to the cost of water main replacements equitably because it will provide a better balance between MWU's goals of maintaining a reasonable program of main replacement while improving its financial position and keeping rates affordable for its customers.

The Commission finds that expense depreciation in the amount proposed in this case is reasonable and proper. Accordingly, the Commission finds it reasonable to require MWU to record \$416,667 each month as depreciation expense to Account 343.3, starting in the month this rate increase takes effect, until such time the Commission modifies this amount. Subject to the conditions in this Final Decision, MWU shall invest the \$5,000,000 annually only in water main replacements, which MWU will add to plant in service. The net effect will be that the net investment rate base will not increase as a result of this investment in infrastructure, as the amounts recorded to plant in service and accumulated depreciation would offset each other. The effect on the revenue requirement is similar to increasing maintenance expense by \$5,000,000 per year; however, for asset management purposes, the MWU shall include those additions in the plant records.

Debt Repayment

Commission staff considered whether steps should be taken to ensure that funds collected from customers through the use of expense depreciation might be needed to make debt payments. Commission staff noted that the funds collected through the expense depreciation mechanism will be kept in a segregated fund, so the funds could be easily tracked to determine whether they are used for water main replacements. Moreover, MWU provided testimony that MWU would require the use of segregated funds to meet debt service, and MWU agreed that if the MWU were to need any of the segregated funds to meet debt service, it would notify the Commission and apply for a rate increase within 45 days. MWU has a history of filing applications to adjust its rates in a timely manner.

To ensure expense depreciation funds are used for their intended purpose, the Commission finds it reasonable to require MWU to invest the \$5,000,000 annually only in water

main replacements, except those funds may be used by MWU to make debt payments if necessary. If any of the revenues intended for water main replacements are anticipated to be used to make debt payments, the Commission finds it reasonable to require MWU to immediately notify the Commission of such intent and to file an application for a water rate increase within 45 days. This condition will help ensure the continued financial integrity of the utility.

Reporting, Monitoring, and Other Issues

MWU and Commission staff agreed that having MWU record the additional expense depreciation funds in a segregated account until such funds have been spent on water main replacements would be a reasonable safeguard. MWU and Commission staff further proposed additional reporting to evaluate the success of the program. Such reporting could include annual reporting on the number of miles of water main replaced, the percentage of the water main replaced, and the age of the water main replaced under this program, as well as any changes to the scope of the plan for water main replacements.

The Commission finds that segregating the funds collected under this program is reasonable, as it assists both MWU and Commission staff in ensuring the funds are used for their intended purpose. The Commission also finds that additional reporting to monitor and evaluate the success of this new program is appropriate. Use of expense depreciation in a regulatory setting is a relatively new approach to cost recovery, and the Commission recognizes MWU as a leader in this regard. Closely monitoring MWU's program will help guide the Commission in addressing infrastructure replacement issues in the water industry and ensuring that MWU spent those funds. The Commission also finds that additional reporting to monitor and evaluate the success of this new program is appropriate. Use of expense depreciation in a regulatory setting

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is a relatively new approach to cost recovery. Closely monitoring MWU's program, it will be helpful for the Commission addressing infrastructure replacement issues in the water industry and MWU spent those funds. The Commission finds it reasonable to require MWU to report annually to the Commission, at the time MWU files its PSC Annual Report, a detailed report describing the following:

- Funds that have been collected through expense depreciation;
- Use of the funds;
- Balance of the funds remaining;
- Number of miles of water main replaced;
- Percentage of the water main replaced;
- Age of the water main replaced under this program; and
- Any changes to the scope of the plan for water main replacements.

MWU's most recent 2023-2028 Capital Improvement Plan (CIP) includes only \$2.8 million in annual main project costs in 2023, of which \$2.24 million (80 percent) is for mains, \$280,000 is for services and \$280,000 is for hydrants. MWU prepared the CIP budget based on rates in place at the time that budget was prepared. MWU intends to submit a budget amendment resolution to the City Common Council to increase its 2023 CIP by \$3.45 million to bring the total capital improvements on mains to \$5 million, services to \$625,000, and hydrants to \$1.125 million for 2023. The Commission finds it reasonable for MWU to file an amended CIP budget of \$5,000,000, approved by Common Council, within 90 days of the Final Decision this case.

MWU proposed investing at least 80 percent of the funds in the same year in which it collected the funds and spend any remaining unspent funds within 24 months of the end of the year. For example, MWU's unspent funds collected in 2023 would need to be spent by the end of 2025. The Commission finds this requirement to be a reasonable balance that allows for flexibility in project scheduling while spending funds collected from customers in a reasonable amount of time.

Financial Plan

The Commission generally considers a reasonable municipal structure to consist of roughly 50 percent equity and 50 percent debt, but MWU experienced increasing levels of debt as documented in the Final Decisions for the 2009, 2011, 2015, and 2018 rate cases. As result of the high debt ratios, the Commission authorized rates of return higher than the municipal benchmarks, and eventually a cash adder, in order to support the financial health of MWU. In the Final Decision in docket 3280-WR-114, the Commission ordered MWU to develop the Financial Improvement Plan. MWU provided a Financial Improvement Plan on January 31, 2019, and provided updates on August 21, 2019; November 20, 2020; February 22, 2021; May 21, 2021; August 23, 2021; March 7, 2022; and June 13, 2022 in docket 3280-WR-114,

MWU has improved its financial position since the 2019 Financial Improvement Plan. ([PSC REF#: 442675.](#)) A notable area of progress is MWU's Infrastructure Investment. In the financial plan filed in 2019, MWU set a goal of \$136 million of infrastructure investment from 2019 to 2027. In the most recent CIP quarterly report, MWU projected that it will spend \$88 million from 2019 to 2027, significantly less than \$136 million. The Commission understands that MWU cut back its CIP to reduce debt, to improve cash reserves, and to keep rate increases at

less than 10 percent annually. Given the changes in the CIP, and the fact that more than three years have passed since MWU wrote the original Financial Improvement Plan, the Commission directs MWU to submit an updated Financial Improvement Plan within 60 days of the effective date of the Final Decision in this case.

The updated Financial Improvement Plan should cover 2022 to 2030, include target dates, and detail actions taken to strengthen its financial conditions such that the benchmark municipal rate of return will be sufficient to support its required credit. MWU shall file semi-annual updates to the plan with the Commission. The update financial plan shall include:

- a. A description of actions MWU has taken to achieve the benchmark rate of return on rate base for municipal utilities, a capital structure of 50 percent debt and 50 percent equity, and other benchmark financial and operating covenants;
- b. Progress on detailed goals and operational adjustments;
- c. An established timeline with milestones for achieving the goals;
- d. A description of potential obstacles to achieving the goals;
- e. A description of consequent customer impacts, both positive and negative, that may result from implementing the plan; and
- f. A description of additional actions MWU will take to improve its financial condition and address its operational and management challenges.

Conservation Program Expenditures and Reporting

MWU has been using escrow accounting for its toilet rebate program and has created new subaccounts for recording conservation-related expenses. MWU requested recovery of \$200,740 in conservation program expenditures for the test year. When asked to provide detail, MWU

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provided costs that totaled \$180,000 in conservation program expenditures for the test year. Commission staff's estimate for the conservation budget is based on costs in accordance with Wisconsin Act 136, and/or costs MWU reported correctly in this account and that are related to conservation. Commission staff included \$133,200 in expenses in the revenue requirement for the 2022 test year total, which consists of a conservation budget of \$163,900, less \$30,700 in underspent conservation activity from previous years. MWU uses escrow accounting and accounts for those expenses in the subaccounts. The Commission finds the staff adjustments reasonable and requires MWU to continue the use of escrow accounting for the toilet rebate program.

Customer Assistance Program

Customer Assistance Program Background

The MWU proposed offering a pilot Customer Assistance Program (CAP) to address water affordability burden for low-income households in the community. MWU proposed to operate the CAP as a pilot program for two years and to provide a bill offset for customers that fall below 30 percent and 50 percent of the City of Madison's (City) median family income and who receive a water utility bill. Customers whose income is below 30 percent of the City's median family income would receive an offset to their water bill of \$12 each month, and those customers whose income is below 50 percent of the City's median family income would receive an offset of their water bill of \$8 each month. The annual program costs based on updated estimates for enrolled participants averaged over two years is \$148,714. The amount requested to fund the pilot program is less than the amount which Commission staff would consider material.

To participate in the program, an eligible customer would be required to submit a written application furnished by MWU. The customer would also need to provide a copy of a driver's license or state-issued identification card and documentation of total annual income for all residents living at the water service address. In addition to the means tested eligibility, customers participating in the CAP would be required to meet water conservation eligibility requirements, which may include completing upgrades through the non-profit organization Project Home. MWU also has an approved toilet rebate program, which would qualify low-income customers as well.¹ Customers who have received a rebate, or who live at a property whose previous owner or occupier received a rebate, would be eligible for the CAP in lieu of participating in the Project Home program. Customers who rent and receive a water bill would be exempt from water conservation eligibility requirements.

MWU requested to fund the CAP program at an estimated annual cost of \$148,714 as an operation and maintenance expense included in customer rates. The applicant proposed in its cost of service study to recover these costs equally through the general service charge collected from all customers. The applicant estimates that the program would add approximately 18 cents to each customer's monthly water bill. The applicant considered other funding methods, including funding as a City program. However, the applicant stated that the City is already taxing nearly to its levy limit and does not have the ability to raise taxes to fund a CAP for water customers. The applicant stated that instead, City policy makers have supported MWU exploring funding the CAP through customer rates, which they contend would provide a consistent funding source for the program, without having to cut funding elsewhere.

¹ The Commission-approved program allows the applicant to provide a \$100 bill credit rebate to customers who replace a low-efficiency toilet with a high efficiency EPA WaterSense-rated toilet.

The bill offset for customers would effectively remove the monthly service charge for qualifying customers. As a result, those customers would still pay for the water used, and particularly in light of the CAP's water conservation eligibility requirements, it is expected that customers will be incentivized to use conservation practices to further control their bills. Reducing the fixed charge of a bill and giving low-income customers greater control over the cost of their water directly related to the amount a customer could not only benefit participants directly, but could benefit the system as a whole by reducing overall water usage. In other CAPs around the country, utilities have made a business case for a CAP by claiming that a successful program would result in decreasing costs for collections, increased payments, and other financial benefits as a result of a reduced number of customers in arrears. The applicant stated that it anticipates seeing improved bill collection and a positive impact on overall cash flow as a result of the CAP.

Commission staff, recognizing the low potential impact on non-participating customers, the difficulty low-income customers face with ongoing rate increases, and the potential of the pilot program to provide the Commission with valuable information, included the costs of the program in the revenue requirement for the Commission's consideration. The Commission agrees. Based on the reasons cited for including the costs in the revenue requirement, as well as the potential cash flow benefits, conservation benefits, and other system-wide benefits, the Commission finds it reasonable to approve the pilot CAP for two years at an annual cost of \$148,714 as an immaterial operation and maintenance expense and include it in the revenue requirement.

In response to suggestions that approval of the pilot CAP raises unjust discrimination concerns, the Commission finds that the CAP does not set a utility rate. Under MWU’s proposal, all customers in the residential customer class would be charged the same rate. Those customers who meet the eligibility criteria for the CAP would be charged the same rate as others in the same customer class, but would then be given a fixed monthly credit on their water bill depending upon their income level while participating in the program. Providing such a credit is akin to providing a rebate or other incentive for customer participation in the program—which does not raise concerns of establishing discriminatory rates. In fact, a number of utilities offer rebates, incentives and other credits for participants in Commission-approved programs. For example, MWU administers an approved incentive program that includes a rebate of \$100 per toilet replaced for low to moderate income customers. The investor-owned utilities’ voluntary energy efficiency programs also provide budgeted incentives for eligible customers, including rebates. And, the Commission has approved arrears management plans which include utility “match” or “forgiveness” to amounts billed at the filed rate for the residential rate class. The Commission has authority to exercise its discretion and approve the CAP as an incentive, rebate or utility service, pursuant to Wis. Stat. §§ 196.02(2), 196.025, 196.03(1), 196.06, 196.07, 196.19, 196.37, and 196.395.

Further, even if approval of the CAP were somehow to implicate ratemaking, there is no unjust discrimination because all MWU customers would be eligible for the program should their financial circumstances find them below 30 percent or 50 percent of the City of Madison’s median family income, and they meet the water conservation eligibility requirements.²

² Notably, this CAP is distinct from *Petition of the City of West Allis for a Declaratory Ruling as to the Legality of Discounted Employee Water Bills*, 68, Wis. PSC 55, docket 6360-DR-100 (January 29, 1985), in which

Moreover, the Commission has found instances in which rates that are preferential to some customers are not necessarily unjustly discriminatory, including economic development rates (EDR) for gas, electric and water, which temporarily treat customers within the same rate class differently. EDRs, like the proposed CAP program, have the potential to provide system-wide benefits. All utility customers are expected to receive a benefit. For the CAP, all utility customers are expected to benefit from a reduction in customer arrears and the costs of collection, and from increased conservation efforts of program participants, who might not otherwise have enrolled or participated in the water conservation programs that are required for CAP eligibility.³ Such preferential rates have withstood judicial scrutiny.⁴

Commissioner Nowak dissents and writes separately (see attached).

The Commission also finds that the reporting conditions that will be required for this two year pilot, as discussed further below, will serve as a useful tool for determining whether there are other characteristics unique to the participants.

CAP Tariff Language

The applicant provided draft tariff language for the implementation of the pilot CAP as Ex.-MWU-Schwenn-4. ([PSC REF#: 444646.](#)) The Commission finds it reasonable to approve the draft tariff language as offered by MWU and received into the record.

Commissioner Nowak dissents and writes separately (see attached).

discrimination was found where only utility employees were eligible for water bill discounts. While not every customer may be hired by MWU, every customer does have the potential of landing in circumstances in which their income falls below the thresholds identified for program participation. There is no hiring process to go through. Rather, any customer who receives a water bill whose income falls below the limits could be eligible.

³ See also Wis. Admin. Code § PSC 185.21(21). Even if the CAP were setting a utility rate, the administrative code explicitly states “[t]he commission may approve rates that promote efficient water use.” The Commission approved a conservation based rate structure for residential water customers in *Application of City of Waukesha Water Utility for Authority to Increase Water Rates*, docket 6240-WR-105 (May 31, 2007). Copy available at Ex.-MWU-Granum-6.

⁴ *Citizens Utility Board v. Public Service Commission*, 10-CV-3536 (2011)

CAP Reporting Requirements

As discussed above, it is anticipated that the CAP may lead to a number of customer and system-wide benefits, including decreasing costs for collections, increased payments, and other financial benefits as a result of having fewer customers in arrears. To test the effectiveness of the CAP and learn from its implementation, the Commission finds it is reasonable to require the applicant to report on the following criteria to evaluate pilot program effectiveness.

- a. Number of households participating in the CAP
- b. Number of households participating as a percentage of eligible households, and usage
- c. Reduction in utility arrears attributable to CAP
- d. Annual administrative cost
- e. Number of CAP participants that participated in Project Home conservation programs and other conservation qualifiers, and respective usage
- f. The number of households participating that are renters vs. owners with the usage of each type participant (renters vs. owners) segregated
- g. Average incomes of participants in each category
- h. Average reduction in water bill as a percentage of the bill
- i. Administrative costs attributable to the program and savings
- j. Monthly program enrollment numbers
- k. The utility operational savings attributable to the program

To ensure that all the above information is being captured, MWU shall work with Commission staff to finalize the details of the above reporting requirements.

Revenue Requirement

Remaining Revenue Requirement Uncontested Adjustments

In addition to the findings regarding the specific items discussed in this Final Decision, there were a number of Commission staff revenue requirement adjustments that MWU did not contest. ([PSC REF#: 447192.](#)) The Commission finds Commission staff's adjustments to MWU's filed operating income statements to be reasonable and further finds it reasonable to incorporate these uncontested Commission staff adjustments into the revenue requirement.

Capital Structure

Commission staff estimated the applicant's capital employed in providing public utility service associated with the net investment rate base to be 30.00 percent municipal equity and 70.00 percent long-term debt. The applicant's composite cost of debt capital is 3.40 percent. A return on rate base of 5.40 percent plus \$6,500,000 cash adder will provide a return on municipal earning equity of 10.06 percent and 2.70 times interest coverage. The Commission calculates the benchmark rate of return based on a three-month rolling average of municipal bond rates and determines a floor annually. The benchmark rate of return at the time Commission staff finalized the revenue requirement for this case was 5.40 percent. The Commission is typically reluctant to authorize a rate of return that is higher than the benchmark rate of return unless an applicant can demonstrate that its cost of debt and its debt ratio are high enough to require a higher rate of return. The Commission finds it reasonable to authorize a rate of return of 5.40 plus \$6,500,000 cash adder in this case, as the applicant's composite cost of debt of 3.40 percent. The Commission finds that this return on rate base will provide the applicant with sufficient earnings

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to help address future capital and unforeseen operating needs and will also maintain confidence in the applicant's financial integrity without resulting in customer rates that are excessive.

However, the Commission cautions the applicant that a 70.00 percent debt ratio is too high to support the applicant's financial integrity over the long term and recommends the applicant reduce its debt ratio to reasonable levels as soon as practical. The Commission generally considers a reasonable municipal structure to consist of roughly 50 percent equity and 50 percent debt.

Cash Adder

MWU requested a \$7,316,319 cash adder for debt service and Utility capital projects. MWU contends, and Commission staff agrees, that the cash adder is necessary to assist in working toward the financial goals set forth in MWU's Financial Improvement Plan dated January 31, 2019. ([PSC REF#: 442675.](#)) Although MWU has made progress in reducing its debt ratio, a cash adder is still necessary at this time to allow continued improvement in the debt ratio. A cash adder, separate from the ROR is appropriate since it is designated for debt service and funding capital improvements. In future rate cases, Commission directs MWU to reduce the case adder, and eventually discontinue it, as MWU's capital structure and financial metrics improve sufficiently. The Commission finds it reasonable to include a \$6,500,000 cash adder, which, added to the ROR, will provide 2.70 interest coverage and 1.45 times debt service coverage.

Cost of Service, Revenue Allocation, and Rates

Cost of Service of Service Studies

Both Trilogy Consulting, LLC (Trilogy) and Commission staff submitted for the record analyses of the cost of supplying water for general service and for public fire protection (PFP)

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service using 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. For Trilogy, summaries of such analyses are shown in Schedules titled “Customer Class Demand Ratios” and “Allocation of Service Cost Functions to Customer Classes – Combined Retail and Wholesale ROI” of Ex.-MWU-Granum-4, Trilogy’s primary proposal in the record in this proceeding. For Commission staff, summaries of the analyses are shown in Schedules 8 and 11 of Ex.-PSC-Fisher-1, Commission staff’s primary proposal in the record in this proceeding.

Both MWU and Commission staff provided comprehensive cost-of-service studies (COSS) and testimony regarding COSS methodology. Historically, the Commission has considered the results of multiple COSS approaches for the purpose of allocating revenue responsibility. The results of the various COSS are shown below for the major customer groupings. MWU and Commission staff agreed the COSS proposed in Ex.-MWU-Granum-4 is reasonable. The various components of the COSS that MWU and Commission staff agreed to include system demand ratios, fire flow, customer demand ratios, and main allocations, among others. Appendix B shows customer class revenue requirements, present revenues, and authorized rates.

Public Fire Protection: Class Absorption Method

In docket 3280-WR-114, the Commission authorized MWU to use a hybrid version of the class absorption method to fold PFP charges into meter charges. MWU’s hybrid class absorption method used the conventional COS Study methodology, computed the total PFP COS (private and PFP), and then computed PFP charges based on the equivalent meters method. The hybrid

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method then rolled the direct PFP charges into the meter charges. This PFP allocation removed the PFP charges as a separate line item on the water bill and added them to the meter charges and also included the cost of the private fire protection service with the meter charges. The hybrid class absorption method was authorized again in docket 3280-WR-115. Both MWU and Commission staff COSS and Rate Design proposals outlined in Ex.-PSC-Fisher-1 and Ex.-MWU-Granum-4 used this hybrid class absorption method authorized by the Commission in the last two rate cases.

Revenue Allocation

The Commission generally uses COSS models and other information as a guide for determining the final revenue allocation. The testimony and exhibits in this case provide a robust record for the Commission to make a decision regarding which costs are appropriate to be recovered from each customer class. Wisconsin courts have long held the Commission has wide discretion in determining the factors upon which it may base its rate decision. Further, the Commission is not bound to any single regulatory formula; it is permitted to make pragmatic adjustments, which may be called for by particular circumstances, unless its statutory authority plainly precludes it. To the extent setting rates requires the weighing of evidence, the Commission must use its special experience, technical competence, and specialized knowledge to identify a reasonable result, bearing in mind the various public policies that may be impacted by various ratemaking decisions. Wis. Stat. §§ 227.57(6), (8), and (10).

Revenue allocation is a determination of how much of the increase should be collected from each of the rate classes. In this docket, both MWU and Commission staff filed their own revenue allocations. The MWU revenue allocation can be found in Ex.-MWU-Granum-4 and the Commission staff revenue allocation can be found in Ex.-PSC-Fisher-1. Both MWU and

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Commission staff noted in their testimony the balances in fixed and volume charges within their respective COSSs. Water rate structures that result in bills with a smaller fixed component and a larger volumetric component can help address both consumer and conservation goals. Under MWU's proposed rates, the fixed component of customer bills makes up a higher portion of small and average volume, single family and duplex residential bills compared with bills under present rates.

The Commission finds it reasonable to approve the revenue allocation associated with Ex.-PSC-Fisher-1 and require that MWU continue evaluate its balance between fixed and volumetric charges in future rate proceedings.

Commissioner Nowak dissents and writes separately. (See attached.)

Water Main Replacement Charge

MWU's proposed rates in Ex.-MWU-Granum-4 maintain its present inclining block rate structure for residential customers, and separate uniform rates for multifamily, duplex, commercial, industrial, and public authority customers. MWU's proposal includes a rate structure that would add a new fixed water main replacement charge to the existing fixed general service charges for all customer classes. The Commission has approved this type of charge twice previously, in the Janesville rate case, docket 2740-WR-110, and the Fort Atkinson rate case, docket 2060-WR-106. The new charge would recover a portion of the expense depreciation costs. Lower fixed charges are generally considered to be beneficial to customers with affordability concerns, those on fixed incomes, and those who use low volumes of water. Higher fixed charges have the opposite effect on conservation and affordability for those customers. However, higher fixed charges provide revenue stability and may benefit other customers.

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MWU did not propose to recover the entire \$5,000,000 of expense depreciation through a fixed charge, as doing so would have a large impact on customers with low water use. Instead, MWU proposed recovering 72 percent of the \$5,000,000 through the fixed main replacement charge. As a comparison, in docket 2060-WR-106, the Commission approved a main replacement charge that collected approximately 15 percent of the total \$843,000 expense depreciation. MWU developed its proposed rates this docket with a goal of maintaining recovery of revenues from fixed charges at approximately the same proportion as do current rates. MWU's current and proposed rates recover public fire protection (PFP) costs based on a version of the class absorption method that was first approved by the Commission in docket 3280-WR-114. A portion of the total PFP costs is recovered through a monthly direct charge paid for by the MWU's non-general service customers. Commission staff's proposed rate design also includes PFP rates calculated this way but does not include a fixed main replacement charge.

The Commission does not find it reasonable to approve MWU's proposal to add a fixed water main replacement charge to its rates.

Commissioner Nowak dissents and writes separately. (See attached.)

Rates

Water service rates authorized in this Final Decision will result in an estimated net operating income of approximately \$18,464,328, which is comprised of a 5.40 percent return on the water utility net investment rate base of \$221,554,565 plus the \$6,500,000 cash adder.

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 rather will depend on the specific water use of that customer.

The authorized rates as set forth in Appendix C are based on the cost of providing service to various customer classes or types of service. The Commission finds that the rates will result in all customers paying an appropriate amount for the service provided.

Commission staff computed some typical water bills for single family residential, multifamily residential, commercial, industrial, and public authority customers using Schedules Mg-1R, Mg-1MF, Mg-1C, Mg-1I, Mg-1PA, and Mg-1S1 to compare present rates with the new rates. That comparison is set forth in Appendix D.

The overall increase in annual revenues is 18.22 percent and is comprised of an 18.27 percent increase in general service charges and a 0.32 percent increase in PFP charges. A typical single-family residential customer's bill will increase 13.30 percent. The increase in rates is due to a 7.11 percent increase in gross plant investment and a 26.94 percent increase in operating expenses since MWU's last rate case in 2020.

MWU has agreed to revise its tariff provisions (operating rules and main extension rules) to be consistent with those of other Wisconsin water utilities. The Commission incorporated the proposed rules into the record by receipt of Ex.-PSC-Fisher-1, which incorporates the rules by reference. The Commission finds they are in accordance with Commission policy and the Wisconsin Administrative Code.

SRC Process

Municipal water and sewer utilities are eligible to increase rates using the Simplified Rate Case (SRC) process authorized in Wis. Stats. § 196.193. One requirement of this statute is that

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all rates for general service, wholesale service and PFP must be increased uniformly for all utility customers by the SRC increase factor, which is currently 4.5 percent. Since the portion of the revenue requirement designated for the water main replacement program is recovered through general service and PFP rates, it is consistent with the statute that the amount collected through expense depreciation would also increase. The Commission finds it reasonable, if MWU increases rates through the SRC process, that the \$5,000,000 designated for the water main replacement program shall also be increased by the rate increase factor. The increased amount shall be segregated and used only for the water main replacement program.

Public Comments

Thirty-one water customers filed comments on the Commission's Electronic Records Filing (ERF) system in opposition to the rate increase. Three water customers appeared at the hearing and spoke in opposition to the rate increase. These customers expressed concern over the magnitude of the increase and its impact on customers. The Commission appreciates the customers' concerns. However, the Commission finds that the revenue resulting from the authorized rates is necessary to provide for the applicant's financial needs over the long term. The Commission further concludes that the rates as proposed by Commission staff would provide a reasonable and not unjustly discriminatory recovery of the revenue requirement. Accordingly, the Commission approves Commission staff's proposed rates as shown in Ex.-PSC-COSS and Rate Design of the hearing record.

Items from Previous Rate Case (Docket 3280-WR-115)

In the last MWU rate case (docket 3280-WR-115), Order Point No. 4 stated, "MWU shall maintain the \$6,855,953 in funds generated by the cash adder in segregated accounts that are restricted such as to limit the use of those funds only for purposes of funding debt service and

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water utility capital expenditures.” In its response to Commission staff question PSCW-CJB-47-a (Ex.-PSC-Borchardt-3), MWU stated that it maintains a restricted fund in Account 125 (Sinking Funds), and funds in this account are used for principal and interest payments. The balance on December 31, 2021 was \$14,917,677. The Commission confirms that the MWU completed Order Point No. 4 and finds it reasonable to continue the order point in the current docket.

In the last MWU rate case (docket 3280-WR-115), Order Point No. 5 stated:

For all construction projects requiring Commission approval completed between the date of this final decision and the final decision date of MWU’s next rate proceeding, should the scope, design, or location of the project change significantly, or if it is discovered or identified that the project cost, including force majeure costs, may exceed the estimated cost by more than five percent, MWU shall promptly notify the Commission as soon as it becomes aware of the possible change or cost increase and provide a reason for the change.

Commission staff did not identify that MWU completed any projects requiring Commission approval since the date of this Final Decision in the last rate proceeding. The Commission confirms that the MWU completed Order Point No. 5 and finds it reasonable to continue the order point in the current docket.

In the last MWU rate case (docket 3280-WR-115), Order Point No. 6 stated:

MWU shall work with Commission staff to establish appropriate accounting and reporting for its conservation expenditures. This accounting shall include the following requirements:

- a. Continue the use of escrow accounting for its rebate program;
- b. Establish separate subaccounts for rebate program, non-rebate conservation program, general utility communication, and communication expenses benefiting non-utility functions; and
- c. Work with Commission staff to establish additional reporting to provide more detailed information about MWU’s conservation program.

In its response to Commission staff question PSCW-CJB-47c (Ex.-PSC-Borchardt-3), MWU stated that it continues to use escrow accounting for the toilet rebate program, created three new

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subaccounts for recording conservation related expenses, and has worked with Commission staff to determine any additional reporting requirements. The Commission confirms that the MWU completed Order Point No. 6.

In the last MWU rate case (docket 3280-WR-115), Order Point No. 7 stated:

MWU shall continue its practice of requesting approval from the Commission for changes to its rebate program involving types of rebates and/or customer class offerings. In addition, MWU shall request approval from the Commission prior to making changes to its rebate program when administrative costs exceed 20 percent of total budgeted program costs, but only if total budgeted rebate program costs exceed 1.5 percent of the total revenue requirement.

In its response to Commission staff question PSCW-CJB-47c (Ex.-PSC-Borchardt-3), MWU responded that it complied with this order point because it had not requested any changes to the types of rebates offered or the customer class offerings. The Commission confirms that the MWU completed Order Point No. 7 and finds it reasonable to continue the order point in the current docket.

In the last MWU rate case (docket 3280-WR-115), Order Point No. 8 stated, “MWU shall continue to evaluate its balance between fixed and volume charges in future rate case proceedings.” Direct-MWU-Granum-r-13-14 includes an overview of fixed vs. volume charges and places balancing fixed and volume charges in the context of MWU’s affordability and conservation goals. The level of fixed charges has an impact on the ability of customers to pay their bills. The Commission confirms that the MWU completed Order Point No. 8 and finds it reasonable to continue the order point in the current docket.

In the last MWU rate case (docket 3280-WR-115), Order Point No. 9 stated:

After implementation of the uniform rate structure for the duplex residential customer class in docket 3280-WR-114, MWU shall continue to evaluate the

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effect of the new rate on consumer behavior and make further adjustments to the cost-of-service model and rate structure in its next rate case.

Direct-MWU-Granum-r-6 states that MWU uses a utility-wide AMI system to collect hourly data by customer class and has used this data to develop customer demand ratios for all customer classes, including the duplex class, and has adjusted these customer demand ratios over time in the last three rate cases to account for changes in demand patterns. The duplex customer class has been well established and authorized in two consecutive rate cases with customer demand ratios developed from data collected by MWU's AMI system. The Commission confirms that the MWU completed Order Point No. 9.

In the last MWU rate case (docket 3280-WR-115), Order Point No. 10 stated:

Within 60 days from the effective date of the Final Decision in this proceeding, MWU shall file with the Commission information that includes an update on MWU's financial metrics and progress in implementing its financial plan. The update shall include:

- a. A description of actions MWU has taken to achieve the benchmark rate of return on rate base for municipal utilities, a capital structure of 50 percent debt and 50 percent equity, and other benchmark financial and operating covenants;
- b. Progress on detailed goals and operational adjustments;
- c. An established timeline with milestones for achieving the goals;
- d. A description of potential obstacles to achieving the goals;
- e. A description of consequent customer impacts, both positive and negative, that may result from implementing the plan;
- f. An evaluation of the use of a surcharge as a future tool for improving MWU's financial situation; and
- g. A description of additional actions MWU will take to improve its financial condition and address its operational and management challenges.

In its response to Commission staff's question (Ex.-PSC-Borchardt-3), MWU responded that it addressed the use of a possible surcharge in the financial plan it filed with the Commission on January 31, 2019. MWU also filed the first of several financial plan updates on August 21,

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2019. (Ex.-PSC-Borchardt-4.). The Commission confirms that the MWU completed Order Point No. 10 and finds it reasonable to continue the order point in the current docket.

In the last MWU rate case (docket 3280-WR-115), Order Point No. 11 stated, “MWU shall report to the Commission every three months on its status and progress in implementation of its financial improvement plan until instructed otherwise by the Commission.” MWU provided updates on August 21, 2019; November 20, 2020; February 22, 2021; May 21, 2021; August 23, 2021; March 7, 2022; and June 13, 2022. (Ex.-MWU-Schwenn-2.). The Commission confirms that the MWU completed Order Point No. 11 and finds it reasonable to continue the order point in the current docket for an updated financial improvement plan, but with a modification of the requirement that MWU report to the Commission on a semi-annual basis instead of every three months.

In the last MWU rate case (docket 3280-WR-115), Order Point No. 12 stated, “MWU shall file for a conventional rate case with a 2022 test year prior to August 1, 2021.” On July 16, 2021, MWU requested an extension to December 1, 2021. The Commission accepted MWU’s request for an extension and directed MWU to file its rate case application by December 1, 2021. MWU filed the application in the incorrect Excel version on November 30, 2021. MWU filed the correct, complete application on December 8, 2021. The Commission confirms that the MWU completed Order Point No. 12 and finds it reasonable, given the high level of concern regarding MWU’s financial condition and operating and management issues, to require MWU to file another conventional rate case based on a 2025 test year within two years of this Final Decision.

Wholesale Water Customers of MWU

MWU provides wholesale water service to Fitchburg Water Utility, Village of Maple Bluff Municipal Water Utility, and Village of Shorewood Hills Water Utility. Increases in water rates authorized to MWU by this Final Decision will also increase purchased water costs for its wholesale water customers. A wholesale water customer may recover from its retail customers the increased unit cost of water purchased from MWU by calculating a new revenue requirement and requesting approval from the Commission to apply a purchased water adjustment clause (PWAC). The PWAC enables a wholesale water customer to recover from its retail customers the increased unit cost of water purchased from MWU. A wholesale customer of MWU must file a request for a PWAC rate change within 90 days of the effective date of this Final Decision.

Effective Date

The test year commenced on January 1, 2022. Pursuant to Wis. Stat. § 196.19, 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 applicant 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 applicant's website, 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 applicant 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 applicant's website, 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. MWU shall record the additional depreciation accrual monthly in a subaccount, starting in the month the rate increase takes effect, until the depreciation accrual is changed by the Commission.

5. MWU shall invest the approved depreciation expense only in water main replacements, except the funds may be used by MWU to make debt payments if necessary. If the funds are needed to make debt payments, MWU shall notify the Commission and apply for a rate increase within 45 days of fund use.

6. MWU shall keep the funds that are collected through the additional depreciation in a segregated account.

7. MWU shall report annually, at the time it files its PSC Annual Report with the Commission, the funds that have been collected through expense depreciation, the use of the funds, and the balance of funds remaining. MWU shall report the number of miles of water main replaced, the percentage of the water main replaced, and the age of the main replaced under this program, as well as any changes to the scope of its water main replacement plan.

8. If MWU increases rates through the Simplified Rate Case (SRC) process, the \$5,000,000 designated for the water main replacement program shall also be increased by the rate increase factor. The increased amount shall be segregated and used only for the water main replacement program.

9. MWU shall file the amended CIP budget of \$5,000,000 that has been approved by the Common Council within 90 days of the Final Decision this case.

10. MWU shall be required to invest at least 80 percent of the funds collected in the same year in which funds are collected and spend any remaining unspent funds from a given year within 24 months of the end of the year in which the funds were collected.

11. MWU shall provide in its Annual Report detailed descriptions of work completed using expense depreciation funds.

12. MWU shall work with Commission staff to finalize the details of reporting on the following metrics relating to its Customer Assistance Program (CAP):

- a. Number of households participating in the CAP
- b. Number of households participating as a percentage of eligible households, and usage
- c. Reduction in utility arrears attributable to CAP
- d. Annual administrative cost
- e. Number of CAP participants that participated in Project Home conservation programs and other conservation qualifiers, and respective usage
- f. The number of households participating that are renters vs. owners with the usage of each type participant (renters vs. owners) segregated

- g. Average incomes of participants in each category
 - h. Average reduction in water bill as a percentage of the bill
 - i. Administrative costs attributable to the program and savings
 - j. Monthly program enrollment numbers
 - k. The utility operational savings attributable to the program
13. In connection with the authorized cash adder:
- a. MWU shall maintain the incremental funds provided by the cash adder in a segregated account, which is restricted to limit the use of those funds for purposes of debt service and the funding of capital expenditures.
 - b. MWU's revenues and retained earnings shall not be pledged for indebtedness or expenses unrelated to its operation without prior Commission approval.
14. For all construction projects requiring Commission approval completed between the date of this final decision and the final decision date of MWU's next rate proceeding, should the scope, design, or location of the project change significantly, or if it is discovered or identified that the project costs, including force majeure costs, may exceed the estimated cost by more than five percent, the Utility shall promptly notify the Commission as soon as it becomes aware of the possible change or cost increase and provide a reason for the change.
15. MWU shall continue its practice of requesting approval from the Commission for changes to its rebate program involving types of rebates and/or customer class offerings. In addition, MWU shall request approval from the Commission prior to making changes to its rebate program when administrative costs exceed 20 percent of total budgeted program costs, but only if total budgeted rebate program costs exceed 1.5 percent of the total revenue requirement.

16. MWU shall continue to evaluate its balance between fixed and volume charges in future rate case proceedings.

17. Within 60 days from the effective date of the Final Decision in this proceeding, MWU shall file with the Commission information that includes an update on MWU's financial metrics and progress in implementing its financial plan. The update shall include:

- a. A description of actions MWU has taken to achieve the benchmark rate of return on rate base for municipal utilities, a capital structure of 50 percent debt and 50 percent equity, and other benchmark financial and operating covenants;
- b. Progress on detailed goals and operational adjustments;
- c. An established timeline with milestones for achieving the goals;
- d. A description of potential obstacles to achieving the goals;
- e. A description of consequent customer impacts, both positive and negative, that may result from implementing the plan;
- f. An evaluation of the use of a surcharge as a future tool for improving the Utility's financial situation; and
- g. A description of additional actions MWU will take to improve its financial condition and address its operational and management challenges.

18. MWU shall report to the Commission every six months on its status and progress in implementation of its financial improvement plan until instructed otherwise by the Commission.

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19. MWU shall file for another conventional rate case based on a 2025 test year within two years of the Final Decision issued in this docket.

20. MWU shall comply with the continued order points as discussed in this Final Decision.

21. Jurisdiction is retained.

Dated at Madison, Wisconsin, the 29th day of December, 2022.

For the Commission:

A handwritten signature in black ink, appearing to read "Cru Stublely", with a long horizontal flourish extending to the right.

Cru Stublely
Commission Secretary

EAB:alf:cjb:rjp DL:01914035

See attached Notice of Appeal Rights

PUBLIC SERVICE COMMISSION OF WISCONSIN
4822 Madison Yards 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.⁵ 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

⁵ See *Currier v. Wisconsin Dep't of Revenue*, 2006 WI App 12, 288 Wis. 2d 693, 709 N.W.2d 520.

CONTACT LIST FOR SERVICE BY PARTIES

PUBLIC SERVICE COMMISSION OF WISCONSIN

(Not a party but must be served per Wis. Stat. § 227.53)

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**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	\$21,373,698	\$23,572,223	10.29%	\$24,255,878	13.48%	102.90%
Multifamily Residential	\$8,899,374	\$9,690,402	8.89%	\$10,350,524	16.31%	106.81%
Commercial	\$8,467,080	\$9,806,191	15.82%	\$10,571,282	24.85%	107.80%
Industrial	\$1,034,541	\$1,087,590	5.13%	\$1,207,854	16.75%	111.06%
Public Authority	\$5,522,494	\$6,482,860	17.39%	\$7,119,097	28.91%	109.81%
Duplex	\$805,081	\$872,510	8.38%	\$900,062	11.80%	103.16%
Fitchburg	\$37,290	\$29,787	-20.12%	\$34,247	-8.16%	114.97%
Maple Bluff	\$180,968	\$248,258	37.18%	\$286,771	58.47%	115.51%
Shorewood Hills	\$192,759	\$248,719	29.03%	\$286,175	48.46%	115.06%
Public Fire Protection	<u>\$135,000</u>	<u>\$3,108,398</u>	2202.52%	<u>\$135,431</u>	0.32%	4.36%
Total	<u>\$46,648,284</u>	<u>\$55,146,939</u>	<u>18.22%</u>	<u>\$55,147,320</u>	<u>18.22%</u>	<u>100.00%</u>

Madison Water Utility
Water Rate File Changes

New

Am-1
CAP-1

Amended

F-1
Mg-1R
Mg-1MF
Mg-1C
Mg-1I
Mg-1PA
Mg-1S1
W-1
W-2
W-3
NSM-1
OC-1
Mpa-1
Ug-1
Sg-1
BW-1
R-1
Cz-1
X-1
X-2
X-3
X-4

Public Service Commission of Wisconsin

Madison Water Utility

Public Fire Protection Service

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. 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.

Monthly Public Fire Protection Service Charges:

5/8 - inch meter: \$ 2.53

Billing: Same as Schedule Mg-1R.

Public Service Commission of Wisconsin

Madison Water Utility

General Service – Metered - Residential

Monthly Service Charges:

5/8 - inch meter:	\$ 14.00	3 - inch meter:	\$ 109.00
3/4 - inch meter:	\$ 18.00	4 - inch meter:	\$ 167.00
1 - inch meter:	\$ 24.00	6 - inch meter:	\$ 303.00
1 1/4 - inch meter:	\$ 33.00	8 - inch meter:	\$ 465.00
1 1/2 - inch meter:	\$ 42.00	10 - inch meter:	\$ 678.00
2 - inch meter:	\$ 65.00	12 - inch meter:	\$ 891.00

Plus Volume Charges:

First	3,000	gallons used each month:	\$4.60 per 1,000 gallons
Next	3,000	gallons used each month:	\$6.10 per 1,000 gallons
Next	3,000	gallons used each month:	\$7.40 per 1,000 gallons
Next	5,000	gallons used each month:	\$10.52 per 1,000 gallons
Over	14,000	gallons used each month:	\$12.75 per 1,000 gallons

Residential Class – Single Family includes individually-metered single-family homes, duplexes, triplexes, condominiums, apartment buildings, and mobile home parks.

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 will be applied to the total unpaid balance for utility service, including unpaid late payment charges. The 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. Adm. Code ch. PSC 185.

Combined Metering: Volumetric meter readings will be combined for billing if the utility for its own convenience places more than one meter on a single water service lateral. Multiple meters placed for the purpose of identifying water not discharged into the sanitary sewer are not considered for utility convenience and shall not be combined for billing. This requirement does not preclude the utility from combining readings when metering configurations support such an approach. Meter readings from individually metered separate service laterals shall not be combined for billing purposes.

RATE FILE

Sheet No. 1 of 1

Schedule No. Mg-1MF

Amendment No. 94

Public Service Commission of Wisconsin

Madison Water Utility

General Service – Metered – Multifamily Residential

Monthly Service Charges:

5/8 - inch meter:	\$ 14.00	3 - inch meter:	\$ 109.00
3/4 - inch meter:	\$ 18.00	4 - inch meter:	\$ 167.00
1 - inch meter:	\$ 24.00	6 - inch meter:	\$ 303.00
1 1/4 - inch meter:	\$ 33.00	8 - inch meter:	\$ 465.00
1 1/2 - inch meter:	\$ 42.00	10 - inch meter:	\$ 678.00
2 - inch meter:	\$ 65.00	12 - inch meter:	\$ 891.00

Plus Volume Charges:

All water used monthly: \$4.26 per 1,000 gallons

Multifamily Residential Class includes master-metered buildings with three or more dwelling units such as condominiums, apartment buildings, and mobile home parks.

Billing: Same as Mg-1R.

Combined Metering: Same as Mg-1R.

RATE FILE

Sheet No. 1 of 1

Schedule No. Mg-1C

Amendment No. 94

Public Service Commission of Wisconsin

Madison Water Utility

General Service – Metered - Commercial

Monthly Service Charges:

5/8 - inch meter:	\$ 14.00	3 - inch meter:	\$ 109.00
3/4 - inch meter:	\$ 18.00	4 - inch meter:	\$ 167.00
1 - inch meter:	\$ 24.00	6 - inch meter:	\$ 303.00
1 1/4 - inch meter:	\$ 33.00	8 - inch meter:	\$ 465.00
1 1/2 - inch meter:	\$ 42.00	10 - inch meter:	\$ 678.00
2 - inch meter:	\$ 65.00	12 - inch meter:	\$ 891.00

Plus Volume Charges:

All water used monthly: \$5.65 per 1,000 gallons

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.

Billing: Same as Mg-1R.

Combined Metering: Same as Mg-1R.

RATE FILE

Sheet No. 1 of 1

Schedule No. Mg-1I

Amendment No. 94

Public Service Commission of Wisconsin

Madison Water Utility

General Service – Metered - Industrial

Monthly Service Charges:

5/8 - inch meter:	\$ 14.00	3 - inch meter:	\$ 109.00
3/4 - inch meter:	\$ 18.00	4 - inch meter:	\$ 167.00
1 - inch meter:	\$ 24.00	6 - inch meter:	\$ 303.00
1 1/4 - inch meter:	\$ 33.00	8 - inch meter:	\$ 465.00
1 1/2 - inch meter:	\$ 42.00	10 - inch meter:	\$ 678.00
2 - inch meter:	\$ 65.00	12 - inch meter:	\$ 891.00

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

Plus Volume Charges:

All water used monthly: \$5.68 per 1,000 gallons

Billing: Same as Mg-1R.

Combined Metering: Same as Mg-1R.

RATE FILE

Sheet No. 1 of 1

Schedule No. Mg-1PA

Amendment No. 94

Public Service Commission of Wisconsin

Madison Water Utility

General Service – Metered – Public Authority

Monthly Service Charges:

5/8 - inch meter:	\$ 14.00	3 - inch meter:	\$ 109.00
3/4 - inch meter:	\$ 18.00	4 - inch meter:	\$ 167.00
1 - inch meter:	\$ 24.00	6 - inch meter:	\$ 303.00
1 1/4 - inch meter:	\$ 33.00	8 - inch meter:	\$ 465.00
1 1/2 - inch meter:	\$ 42.00	10 - inch meter:	\$ 678.00
2 - inch meter:	\$ 65.00	12 - inch meter:	\$ 891.00

Plus Volume Charges:

All water used monthly: \$6.42 per 1,000 gallons

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

Billing: Same as Mg-1R.

Combined Metering: Same as Mg-1R.

RATE FILE

Sheet No. 1 of 1

Schedule No. Mg-1S1

Amendment No. 94

Public Service Commission of Wisconsin

Madison Water Utility

General Service – Metered - Duplex

Monthly Service Charges:

5/8 - inch meter:	\$ 14.00	3 - inch meter:	\$ 109.00
3/4 - inch meter:	\$ 18.00	4 - inch meter:	\$ 167.00
1 - inch meter:	\$ 24.00	6 - inch meter:	\$ 303.00
1 1/4 - inch meter:	\$ 33.00	8 - inch meter:	\$ 465.00
1 1/2 - inch meter:	\$ 42.00	10 - inch meter:	\$ 678.00
2 - inch meter:	\$ 65.00	12 - inch meter:	\$ 891.00

Plus Volume Charges:

All water used monthly: \$4.25 per 1,000 gallons

Residential Class – Duplex includes master metered buildings with two dwelling units.

Billing: Same as Mg-1R.

Combined Metering: Same as Mg-1R.

Public Service Commission of Wisconsin

Madison Water Utility

Wholesale Water Service

Wholesale water service to the Fitchburg Water Utility shall be provided at the following rate:

General Service

Service Charge: \$ 303.00 per month

Volume Charge: \$ 3.70 per 1,000 gallons

Billing: Same as Schedule Mg-1R.

RATE FILE

Sheet No. 1 of 1

Schedule No. W-2

Amendment No. 94

Public Service Commission of Wisconsin

Madison Water Utility

Wholesale Water Service

Wholesale water service to the Village of Maple Bluff Water Utility shall be provided at the following rate:

General Service

Service Charge: \$ 1,374.00 per month

Volume Charge: \$ 6.49 per 1,000 gallons

Billing: Same as Schedule Mg-1R.

RATE FILE

Sheet No. 1 of 1

Schedule No. W-3

Amendment No. 94

Public Service Commission of Wisconsin

Madison Water Utility

Wholesale Water Service

Wholesale water service to the Village of Shorewood Hills Water Utility shall be provided at the following rate:

General Service

Service Charge: \$ 1,212.00 per month

Volume Charge: \$ 4.07 per 1,000 gallons

Billing: Same as Schedule Mg-1R.

Public Service Commission of Wisconsin

Madison Water Utility

Non-Standard Meter Service

The utility has chosen to install wireless advanced meters as standard equipment for all customers. Customers who are provided service under Schedule Mg-1R 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 \$4.06 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-1R.

Public Service Commission of Wisconsin

Madison Water Utility

Additional Meter Rental Charge

Upon request, the utility shall furnish and install additional meters to:

- A. Water service customers for the purpose of measuring the volume of water used that is not discharged into the sanitary sewer system; and
- B. Sewerage service customers who are not customers of the water utility for the purpose of determining the volume of sewage that is discharged into the sanitary sewer system.

The utility shall charge a meter installation charge of \$50.00 and a monthly rental fee for the use of this additional meter.

Monthly Additional Meter Rental Charges:

5/8 ⁵ / ₈ - inch meter:	\$	7.00
3/4 - inch meter:	\$	9.00
1 - inch meter:	\$	12.00
1 1/4 - inch meter:	\$	16.50
1 1/2 - inch meter:	\$	21.00
2 - inch meter:	\$	32.50

This schedule applies only if the additional meter is installed on the same service lateral as the primary meter and either:

- A. The additional meter is 3/4-inch or smaller if the metering configuration is the Addition Method; or
- B. The additional meter is 2-inch or smaller for all other metering configurations.

If the additional meter is larger than 2-inch or larger than 3/4-inch and installed in the Addition Method, each meter shall be treated as a separate account and Schedule Mg-1 rates shall apply.

Billing: Same as Schedule Mg-1R.

Public Service Commission of Wisconsin

Madison Water Utility

Other Charges

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.

Special Billing Charge: The utility shall assess a \$25.00 charge to the requestor to cover administrative expenses whenever an existing customer or the property owner requests a special billing outside of the normal utility billing. This charge may not be assessed to a new customer.

Special Meter Reading Charge: The utility shall assess a \$20.00 charge to the requestor whenever an existing customer or the property owner requests a special meter reading by utility personnel on a date other than the regularly scheduled meter reading. This charge may not be assessed if the customer or the property owner provides the meter reading. This charge may not be assessed to a new customer.

Missed Appointment Charge: The utility shall assess a missed appointment charge when a customer, without providing reasonable cancellation notice, fails to be present at the customer’s location for an appointment scheduled with utility personnel. The utility may not apply the charge for the first such missed appointment during normal business hours. The utility shall apply the charge for the first such missed appointment after normal business hours.

During normal business hours:	\$40.00
After normal business hours:	\$60.00

Real Estate Closing Account Charge: The utility shall assess a \$15.00 charge whenever a customer or the customer’s agent requests written documentation from the utility of the customer’s account status in connection with a real estate closing.

Billing: Same as Schedule Mg-1R.

Public Service Commission of Wisconsin

Madison Water Utility

Public Service

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-1PA.

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-1PA, excluding any service charges.

Billing: Same as Schedule Mg-1PA.

Public Service Commission of Wisconsin

Madison Water Utility

General Water Service - Unmetered

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 monthly under Schedule Mg-1R, including the service charge for a 5/8-inch meter. If the utility determines that actual usage exceeds 4,000 gallons of water monthly, an additional charge for the estimated excess usage shall be made according to the rates under Schedule Mg-1R.

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-1R.

Billing: Same as Schedule Mg-1R.

Public Service Commission of Wisconsin

Madison Water Utility

Seasonal Service

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-1R, Mg-1S1, Mg-1MF, Mg-1C, Mg-1I, or Mg-1PA year-round, including the period of temporary disconnection.

Seasonal service shall include customers taking service under Schedule Mg-1R, Mg-1S1, Mg-1MF, Mg-1C, Mg-1I, or Mg-1PA, Schedule Ug-1, or Schedule Am-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-1R, unless the utility and customer agree to an alternative payment schedule for the period of voluntary disconnection.

Public Service Commission of Wisconsin

Madison Water Utility

Bulk Water

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-1R. 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-1R 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: \$524.00

This charge is based on the following:

Service charge for installation: \$130.00
 Water usage charge (minimum of 37,500 gallons): \$394.00

Public Service Commission of Wisconsin

Madison Water Utility

Bulk Water

Additional Charges

Installation of additional valves at same time as initial installation:	\$35.00
Moving valve to another hydrant vicinity:	\$65.00
Water usage charge (after initial period of use beyond 15 days):	\$26.30 per day
Hydrant flow test:	\$160.00 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-1R. In addition, for meters that are assigned to bulk water customers for more than 7 days, the applicable service charge in Schedule Mg-1R 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-1R.

Public Service Commission of Wisconsin

Madison Water Utility

Reconnection Charges

The utility shall assess a charge to reconnect a customer, which includes reinstalling a meter and turning on the valve at the curb stop, if necessary. A utility may not assess a charge for disconnecting a customer.

During normal business hours: \$50.00
After normal business hours: \$70.00

Billing: Same as Schedule Mg-1R.

Public Service Commission of Wisconsin

Madison Water Utility

Water Lateral Installation Charge

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.

Water Lateral Installation Charge
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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-1R.

Public Service Commission of Wisconsin

Madison Water Utility

Customer Assistance Program for Low-Income Customers

The Utility has established a Customer Assistance Program to reduce the monthly water bill for low-income residential customers with household income less than or equal to 50 percent of Median Family Income for the Madison Area as established annually by the U.S. Department of Housing and Urban Development (HUD).

A. Program Eligibility

1. A Madison resident is eligible for financial assistance if their household income is equal to or less than 50 percent of the Median Family Income for the Madison Area as established annually by the U.S. Department of Housing and Urban Development (HUD).
2. Eligible residents who own the property at the water service address must participate in the Utility’s Home Water Conservation Program, if eligible, or in the Utility’s Toilet Rebate Program to receive financial assistance.

Homeowners at water service addresses that have previously participated in the Home Water Conservation Program or Toilet Rebate Program will be considered to have met this requirement.

Eligible homeowners at addresses that have not previously participated in either of these programs will be required to participate before receiving financial assistance.

B. Application

An eligible customer must submit a written application for financial assistance that shall include the following:

- a. A completed application on a form furnished by the Utility and signed by the customer.
- b. Documentation of total annual income for all residents living at the water service address.

After the Utility receives a complete application, the Utility will determine if the customer is eligible for financial assistance. If the applicant is the homeowner, the Utility will also determine if the property at the water service address has previously participated in the Utility’s Toilet Rebate Program or Home Water Conservation Program. Such determination will be provided in writing to the applying customer. Applicants that are also homeowners at addresses that have not previously participated in the Toilet Rebate Program or Home Water Conservation Program will receive notice of the requirement to participate and application materials. Customers that qualify for the program will be required to submit documentation of current total annual income for all residents living at the water service address each year.

Public Service Commission of Wisconsin

Madison Water Utility

Customer Assistance Program for Low-Income Customers

C. Customer Assistance Program Financial Assistance

The Utility will offer an eligible customer financial assistance in the form of a rebate on the customer's monthly water bill.

Monthly Bill Credit:

Customers with income \leq 30% MFI:	\$12.00
Customers with income $>$ 30% and \leq 50% MFI:	\$8.00

Madison Water Utility

Water Utility Operating Rules

Compliance with Rules

All persons now receiving water service from this water utility, or who may request service in the future, shall be considered as having agreed to be bound by the rules and regulations as filed with the Public Service Commission of Wisconsin.

Establishment of Service

Application for water service may be made in writing on a form furnished by the water utility. The application will contain the legal description of the property to be served, the name of the owner, the exact use to be made of the service, and the size of the service lateral and meter desired. Note particularly any special refrigeration, fire protection, or water-consuming air-conditioning equipment.

Service will be furnished only if (1) the premises have a frontage on a properly platted street or public strip in which a cast iron or other long-life water main has been laid, or where the property owner has agreed to and complied with the provisions of the water utility's filed main extension rule, (2) the property owner has installed or agrees to install a service lateral from the curb stop to the point of use that is not less than 6 feet below the surface of an established or proposed grade and meets the water utility's specifications, and (3) the premises have adequate piping beyond the metering point.

The owner of a multi-unit dwelling has the option of being served by individual metered water service to each unit. The owner, by selecting this option, is required to provide interior plumbing and meter settings to enable individual metered service to each unit and individual disconnection without affecting service to other units. Each meter and meter connection will be treated as a separate water utility account for the purpose of the filed rules and regulations.

No division of the water service lateral to any lot or parcel of land shall be made for the extension and independent metering of the supply to an adjoining lot or parcel of land. Except for duplexes, no division of a water service lateral shall be made at the curb for separate supplies for two or more separate premises having frontage on any street or public service strip, whether owned by the same or different parties. Duplexes may be served by one lateral provided (1) individual metered service and disconnection is provided and (2) it is permitted by local ordinance.

Buildings used in the same business, located on the same parcel, and served by a single lateral may have the customer's water supply piping installed to a central point so that volume can be metered in one place.

The water utility may withhold approval of any application where full information of the purpose of such supply is not clearly indicated and set forth by the applicant property owner.

Public Service Commission of Wisconsin

Madison Water Utility

Water Utility Operating Rules

Reconnection of Service

Where the water utility has disconnected service at the customer’s request, a reconnection charge shall be made when the customer requests reconnection of service. See Schedule R-1 for the applicable rate.

A reconnection charge shall also be required from customers whose services are disconnected (shut off at curb stop box) because of nonpayment of bills when due. See Schedule R-1 for the applicable rate.

If reconnection is requested for the same location by any member of the same household, or, if a place of business, by any partner of the same business, it shall be considered as the same customer.

Temporary Metered Service, Meter, and Deposits

An applicant for temporary water service on a metered basis shall make and maintain a monetary deposit for each meter installed as security for payment for use of water and for such other charges which may arise from the use of the supply. A charge shall be made for setting the valve and furnishing and setting the meter. See Schedule BW-1 for the applicable rate.

Water for Construction

When water is requested for construction purposes or for filling tanks or other such uses, an application shall be made to the water utility, in writing, giving a statement of the amount of construction work to be done or the size of the tank to be filled, etc. Payment for the water for construction may be required in advance at the scheduled rates. The service lateral must be installed into the building before water can be used. No connection with the service lateral at the curb shall be made without special permission from the water utility. In no case will any employee of the water utility turn on water for construction work unless the contractor has obtained permission from the water utility.

Customers shall not allow contractors, masons, or other persons to take unmetered water from their premises without permission from the water utility. Any customer failing to comply with this provision may have water service discontinued and will be responsible for the cost of the estimated volume of water used.

Public Service Commission of Wisconsin

Madison Water Utility

Water Utility Operating Rules

Use of Hydrants

In cases where no other supply is available, permission may be granted by the water utility to use a hydrant. No hydrant shall be used until the proper meter and valve are installed. In no case shall any valve be installed or moved except by an employee of the water utility.

Before a valve is set, payment must be made for its setting and for the water to be used at the scheduled rates. Where applicable, see Schedule BW-1 for deposits and charges. Upon completing the use of the hydrant, the customer must notify the water utility to that effect.

Operation of Valves and Hydrants and Unauthorized Use of Water - Penalty

Any person who shall, without authority of the water utility, allow contractors, masons, or other unauthorized persons to take water from their premises, operate any valve connected with the street or supply mains, or open any fire hydrant connected with the distribution system, except for the purpose of extinguishing fire, or who shall wantonly damage or impair the same, shall be subject to a fine as provided by municipal ordinance. Utility permission for the use of hydrants applies only to such hydrants that are designated for the specific use.

Refunds of Monetary Deposits

All money deposited as security for payment of charges arising from the use of temporary water service on a metered basis, or for the return of a hydrant valve and fixtures if the water is used on an unmetered basis, will be refunded to the depositor on the termination of the use of water, the payment of all charges levied against the depositor, and the return of the water utility's equipment.

Service Laterals

No water service lateral shall be laid through any trench having cinders, rubbish, rock or gravel fill, or any other material which may cause injury to or disintegration of the service lateral, unless adequate means of protection are provided by sand filling or such other insulation as may be approved by the water utility. Service laterals passing through curb or retaining walls shall be adequately safeguarded by provision of a channel space or pipe casing not less than twice the diameter of the service connection. The space between the service lateral and the channel or pipe casing shall be filled and lightly caulked with an oakum, mastic cement, or other resilient material and made impervious to moisture.

In backfilling the pipe trench, the service lateral must be protected against injury by carefully hand tamping the ground filling around the pipe. There should be at least 6 inches of ground filling over the pipe, and it should be free from hard lumps, rocks, stones, or other injurious material.

Madison Water Utility

Water Utility Operating Rules

Service Laterals (continued)

All water service laterals shall be of undiminished size from the street main into the point of meter placement. Beyond the meter outlet valve, the piping shall be sized and proportioned to provide, on all floors, at all times, an equitable distribution of the water supply for the greatest probable number of fixtures or appliances operating simultaneously.

Replacement and Repair of Service Laterals

The service lateral from the main to and through the curb stop will be maintained and kept in repair and, when worn out, replaced at the expense of the water utility. The property owner shall maintain the service lateral from the curb stop to the point of use.

If an owner fails to repair a leaking or broken service lateral from the curb to the point of metering or use within such time as may appear reasonable to the water utility after notification has been served on the owner by the water utility, the water will be shut off and will not be turned on again until the repairs have been completed.

Abandonment of Service

If a property owner changes the use of a property currently receiving water service such that water service will no longer be needed in the future, the water utility may require the abandonment of the water service at the water main. In such case, the property owner may be responsible for all removal and/or repair costs, including the water main and the utility portion of the water service lateral.

Charges for Water Wasted Due to Leaks

See Wis. Admin. Code § PSC 185.35 or Schedule X-4, if applicable.

Thawing Frozen Service Laterals

See Wis. Admin. Code § PSC 185.88 or Schedule X-4, if applicable.

Curb Stop Boxes

The curb stop box is the property of the water utility. The water utility is responsible for its repair and maintenance. This includes maintaining, through adjustment, the curb stop box at an appropriate grade level where no direct action by the property owner or occupant has contributed to an elevation problem. The property owner is responsible for protecting the curb stop box from situations that could obstruct access to it or unduly expose it to harm. The water utility shall not be liable for failure to locate the curb stop box and shut off the water in case of a leak on the owner's premises.

Public Service Commission of Wisconsin

Madison Water Utility

Water Utility Operating Rules

Installation of Meters

Meters will be owned, furnished, and installed by the water utility or a utility-approved contractor and are not to be disconnected or tampered with by the customer. All meters shall be so located that they shall be protected from obstructions and permit ready access for reading, inspection, and servicing, such location to be designated or approved by the water utility. All piping within the building must be supplied by the owner. Where additional meters are desired by the owner, the owner shall pay for all piping. Where applicable, see Schedule Am-1 for rates.

Repairs to Meters

Meters will be repaired by the water utility, and the cost of such repairs caused by ordinary wear and tear will be borne by the water utility.

Repair of any damage to a meter resulting from the carelessness of the owner of the premises, owner's agent, or tenant, or from the negligence of any one of them to properly secure and protect same, including any damage that may result from allowing a water meter to become frozen or to be damaged from the presence of hot water or steam in the meter, shall be paid for by the customer or the owner of the premises.

Service Piping for Meter Settings

Where the original service piping is installed for a new metered customer, where existing service piping is changed for the customer's convenience, or where a new meter is installed for an existing unmetered customer, the owner of the premises at his/her expense shall provide a suitable location and the proper connections for the meter. The meter setting and associated plumbing shall comply with the water utility's standards. The water utility should be consulted as to the type and size of the meter setting.

Turning on Water

The water may only be turned on for a customer by an authorized employee of the water utility. Plumbers may turn the water on to test their work, but upon completion must leave the water turned off.

Sprinkling Restrictions and Emergency Water Conditions

Where the municipality has a policy regarding sprinkling restrictions and/or emergency water conditions, failure to comply with such may result in disconnection of service.

See Wis. Admin. Code § PSC 185.37.

Water Utility Operating Rules

Failure to Read Meters

Where the water utility is unable to read a meter, the fact will be plainly indicated on the bill, and either an estimated bill will be computed or the minimum charge applied. The difference shall be adjusted when the meter is again read, that is, the bill for the succeeding billing period will be computed with the gallons or cubic feet in each block of the rate schedule doubled, and credit will be given on that bill for the amount of the bill paid the preceding period. Only in unusual cases shall more than three consecutive estimated or minimum bills be rendered.

If the meter is damaged (see Surreptitious Use of Water) or fails to operate, the bill will be based on the average use during the past year, unless there is some reason why the use is not normal. If the average use cannot be properly determined, the bill will be estimated by some equitable method.

See Wis. Admin. Code § PSC 185.33.

Complaint Meter Tests

See Wis. Admin. Code § PSC 185.77.

Inspection of Premises

During reasonable hours, any officer or authorized employee of the water utility shall have the right of access to the premises supplied with service for the purpose of inspection or for the enforcement of the water utility's rules and regulations. Whenever appropriate, the water utility will make a systematic inspection of all unmetered water taps for the purpose of checking waste and unnecessary use of water.

See Wis. Stat. § 196.171.

Vacation of Premises

When premises are to be vacated, the water utility shall be notified, in writing, at once, so that it may remove the meter and shut off the water supply at the curb stop. The owner of the premises shall be liable for prosecution for any damage to the water utility's property. See "Abandonment of Service" in Schedule X-1 for further information.

Deposits for Residential Service

See Wis. Admin. Code § PSC 185.36.

Public Service Commission of Wisconsin

Madison Water Utility

Water Utility Operating Rules

Deposits for Nonresidential Service

See Wis. Admin. Code § PSC 185.361.

Deferred Payment Agreement

See Wis. Admin. Code § PSC 185.38 or Schedule X-4, if applicable.

Dispute Procedures

See Wis. Admin. Code § PSC 185.39.

Disconnection and Refusal of Service

See Wis. Admin. Code § PSC 185.37.

The following is an example of a disconnection notice that the utility may use to provide the required notice to customers.

DISCONNECTION NOTICE

Dear Customer:

The bill enclosed with this notice includes your current charge for water utility service and your previous unpaid balance.

You have 10 days to pay the water utility service arrears or your service is subject to disconnection.

If you fail to pay the service arrears or fail to contact us within the 10 days allowed to make reasonable deferred payment arrangement or other suitable arrangement, we will proceed with disconnection action.

To avoid the inconvenience of service interruption and an additional charge of (amount) for reconnection, we urge you to pay the full arrears IMMEDIATELY AT ONE OF OUR OFFICES.

If you have entered into a Deferred Payment Agreement with us and have failed to make the deferred payments you agreed to, your service will be subject to disconnection unless you pay the entire amount due within 10 days.

If you have a reason for delaying the payment, call us and explain the situation.

Public Service Commission of Wisconsin

Madison Water Utility

Water Utility Operating Rules

Disconnection and Refusal of Service (continued)

DISCONNECTION NOTICE (continued)

PLEASE CALL THIS TELEPHONE NUMBER, (telephone number), IMMEDIATELY IF:

1. You dispute the notice of delinquent account.
2. You have a question about your water utility service arrears.
3. You are unable to pay the full amount of the bill and are willing to enter into a deferred payment agreement with us.
4. There are any circumstances you think should be taken into consideration before service is discontinued.
5. Any resident is seriously ill.

Illness Provision: If there is an existing medical emergency in your home and you furnish the water utility with a statement signed by either a licensed Wisconsin physician or a public health official, we will delay disconnection of service up to 21 days. The statement must identify the medical emergency and specify the period of time during which disconnection will aggravate the existing emergency.

Deferred Payment Agreements: If you are a residential customer and you are unable to pay the full amount of the water utility service arrears on your bill, you may contact the water utility to discuss arrangements to pay the arrears over an extended period of time.

This time payment agreement will require:

1. Payment of a reasonable amount at the time the agreement is made.
2. Payment of the remainder of the outstanding balance in monthly installments over a reasonable length of time.
3. Payment of all future water utility service bills in full by the due date.

In any situation where you are unable to resolve billing disputes or disputes about the grounds for proposed disconnection through contacts with our water utility, you may make an appeal to the Public Service Commission of Wisconsin by calling (800) 225-7729.

(WATER UTILITY NAME)

Madison Water Utility

Water Utility Operating Rules

Collection of Overdue Bills

An amount owed by the customer may be levied as a tax as provided in Wis. Stat. § 66.0809.

Surreptitious Use of Water

When the water utility has reasonable evidence that a person is obtaining water, in whole or in part, by means of devices or methods used to stop or interfere with the proper metering of the water utility service being delivered, the water utility reserves the right to estimate and present immediately a bill for unmetered service as a result of such interference, and such bill shall be payable subject to a 24-hour disconnection of service. If the water utility disconnects the service for any such reason, the water utility will reconnect the service upon the following conditions:

- A. The customer will be required to deposit with the water utility an amount sufficient to guarantee the payment of the bills for water utility service.
- B. The customer will be required to pay the water utility for any and all damages to water utility equipment resulting from such interference with the metering.
- C. The customer must further agree to comply with reasonable requirements to protect the water utility against further losses.

See Wis. Stat. §§ 98.26 and 943.20.

Repairs to Mains

The water utility reserves the right to shut off the water supply in the mains temporarily to make repairs, alterations, or additions to the plant or system. When the circumstances will permit, the water utility will give notification, by newspaper publication or otherwise, of the discontinuance of the water supply. No credit will be allowed to customers for such temporary suspension of the water supply.

See Wis. Admin. Code § PSC 185.87.

Duty of Water Utility with Respect to Safety of the Public

It shall be the duty of the water utility to see that all open ditches for water mains, hydrants, and service laterals are properly guarded to prevent accident to any person or vehicle, and at night there shall be displayed proper signal lighting to insure the safety of the public.

Madison Water Utility

Water Utility Operating Rules

Handling Water Mains and Service Laterals in Excavation Trenches

Contractors must call Digger’s Hotline and ensure a location is done to establish the existence and location of all water mains and service laterals as provided in Wis. Stat. § 182.0175. Where water mains or service laterals have been removed, cut, or damaged during trench excavation, the contractors must, at their own expense, cause them to be replaced or repaired at once. Contractors must not shut off the water service laterals to any customer for a period exceeding 6 hours.

Protective Devices

- A. Protective Devices in General: The owner or occupant of every premise receiving water supply shall apply and maintain suitable means of protection of the premise supply and all appliances against damage arising in any manner from the use of the water supply, variation of water pressure, or any interruption of water supply. Particularly, such owner or occupant must protect water-cooled compressors for refrigeration systems by means of high and/or low pressure safety cutout devices. There shall likewise be provided means for the prevention of the transmission of water ram or noise of operation of any valve or appliance through the piping of their own or adjacent premises.

- B. Relief Valves: On all "closed systems" (i.e., systems having a check valve, pressure regulator, reducing valve, water filter, or softener), an effective pressure relief valve shall be installed at or near the top of the hot water tank or at the hot water distribution pipe connection to the tank. No stop valve shall be placed between the hot water tank and the relief valve or on the drain pipe. See applicable plumbing codes.

- C. Air Chambers: An air chamber or approved shock absorber shall be installed at the terminus of each riser, fixture branch, or hydraulic elevator main for the prevention of undue water hammer. The air chamber shall be sized in conformance with local plumbing codes. Where possible, the air chamber should be provided at its base with a valve for water drainage and replenishment of air.

Cross-Connections

Every person owning or occupying a premise receiving municipal water supply shall maintain such municipal water supply free from any connection, either of a direct or of an indirect nature, with a water supply from a foreign source or of any manner of connection with any fixture or appliance whereby water from a foreign supply or the waste from any fixture, appliance, or waste or soil pipe may flow or be siphoned or pumped into the piping of the municipal water system.

See Wis. Admin. Code § NR 811.06.

Public Service Commission of Wisconsin

Madison Water Utility

Water Main Extension Rule

Water mains will be extended for new customers on the following basis:

- A. Where the cost of the extension is to immediately be collected through assessment by the municipality against the abutting property, the procedure set forth under Wis. Stat. § 66.0703 will apply, and no additional customer contribution to the utility will be required.
- B. Where the municipality is unwilling or unable to make a special assessment, the extension will be made on a customer-financed basis as follows:
 - 1. The applicant(s) will advance as a contribution in aid of construction the total amount equivalent to that which would have been assessed for all property under paragraph A.
 - 2. Part of the contribution required in paragraph B.1. will be refundable. When additional customers are connected to the extended main within 10 years of the date of completion, contributions in aid of construction will be collected equal to the amount which would have been assessed under paragraph A. for the abutting property being served. This amount will be refunded to the original contributor(s). In no case will the contributions received from additional customers exceed the proportionate amount which would have been required under paragraph A., nor will it exceed the total assessable cost of the original extension.
- C. When a customer connects to a transmission main or connecting loop installed at utility expense within 10 years of the date of completion, there will be a contribution required of an amount equivalent to that which would have been assessed under paragraph A.

Public Service Commission of Wisconsin

Madison Water Utility

Water Main Installations in Platted Subdivisions

Application for installation of water mains in regularly platted real estate development subdivisions shall be filed with the utility.

If the developer, or a contractor employed by the developer, is to install the water mains (with the approval of the utility), the developer shall be responsible for the total cost of construction.

If the utility or its contractor is to install the water mains, the developer shall be required to advance to the utility, prior to the beginning of the construction, the total estimated cost of the extension. If the final costs exceed estimated costs, an additional billing will be made for the balance of the cost due. This balance is to be paid within 30 days. If final costs are less than estimated, a refund of the overpayment will be made by the water utility.

Water Customer Supplemental Rules

Compliance with Rules

All persons now receiving water service from this water utility, or who may request service in the future, shall be considered as having agreed to be bound by the rules and regulations as filed with the Public Service Commission of Wisconsin.

Charges for Water Wasted Due to Leaks

Pursuant to Wis. Admin. Code § 185.35(6) and the utility’s policy, when a leak unknown to the customer is found in an appliance or the plumbing, the utility shall estimate the water wasted due to the leak and bill for this excess usage at a reduced rate not less than the utility’s cost. If this provision applies, the utility shall bill the customer for excess usage at the lowest volumetric rate in the applicable utility’s Schedule Mg-1R, Mg-1S1, Mg-1MF, Mg-1C, Mg-1I, or Mg-1PA, General Service - Metered. No additional adjustments shall be made for water supplied after the customer has been notified of the leak and has had an opportunity to correct the condition.

Thawing Frozen Service Laterals

See Wis. Admin. Code § PSC 185.88.

Madison Water Utility
Customer Water Bill Comparison at Present and Authorized Rates

Customer Type	Meter Size	Volume (1000 Gallons)	Monthly		Percent Change	Fixed Portion of Customer Bill	
			Bills at Old Rates	Bills at New Rates		Percentage Fixed - Old Rates	Percentage Fixed - New Rates
Residential	5/8"	3	\$ 24.99	\$ 27.80	11.24%	55.22%	50.36%
Residential	5/8"	4	\$ 29.92	\$ 33.90	13.30%	46.12%	41.30%
Residential	3/4"	20	\$ 165.56	\$ 201.40	21.65%	10.34%	8.94%
Residential	1"	100	\$ 997.78	\$ 1,227.40	23.01%	2.38%	1.96%
Duplex	5/8"	4	\$ 28.04	\$ 31.00	10.56%	49.22%	45.16%
Duplex	5/8"	6	\$ 35.16	\$ 39.50	12.34%	39.25%	35.44%
Duplex	5/8"	25	\$ 102.80	\$ 120.25	16.97%	13.42%	11.64%
Duplex	5/8"	75	\$ 280.80	\$ 332.75	18.50%	4.91%	4.21%
Multifamily Residential	5/8"	20	\$ 85.00	\$ 99.20	16.71%	16.24%	14.11%
Multifamily Residential	1"	38	\$ 159.02	\$ 185.88	16.89%	14.93%	12.91%
Multifamily Residential	3"	800	\$ 2,956.04	\$ 3,517.00	18.98%	3.65%	3.10%
Multifamily Residential	4"	1,900	\$ 6,930.88	\$ 8,261.00	19.19%	2.41%	2.02%
Commercial	5/8"	20	\$ 100.40	\$ 127.00	26.49%	13.75%	11.02%
Commercial	1"	33	\$ 166.63	\$ 210.45	26.30%	14.25%	11.40%
Commercial	4"	4,800	\$ 20,950.88	\$ 27,287.00	30.24%	0.80%	0.61%
Commercial	3"	18,900	\$ 81,945.04	\$ 106,894.00	30.45%	0.13%	0.10%
Industrial	1"	150	\$ 749.74	\$ 876.00	16.84%	3.17%	2.74%
Industrial	1"	280	\$ 1,378.94	\$ 1,614.40	17.08%	1.72%	1.49%
Industrial	4"	3,400	\$ 16,622.88	\$ 19,479.00	17.18%	1.00%	0.86%
Industrial	6"	13,750	\$ 66,852.87	\$ 78,403.00	17.28%	0.45%	0.39%
Public Authority	5/8"	50	\$ 258.30	\$ 335.00	29.69%	5.34%	4.18%
Public Authority	1"	230	\$ 1,148.44	\$ 1,500.60	30.66%	2.07%	1.60%
Public Authority	4"	1,200	\$ 6,034.88	\$ 7,871.00	30.43%	2.77%	2.12%
Public Authority	6"	4,000	\$ 19,862.87	\$ 25,983.00	30.81%	1.52%	1.17%

Madison Water Utility

**Schedule of Water Depreciation Rates
Effective January 1, 2022**

Account Number	Account Title	Depreciation Rate
	SOURCE OF SUPPLY PLANT	
312	Collecting and Impounding Reservoirs	1.70%
314	Wells and Springs	2.90%
317	Other Water Source Plant	4.50%
	PUMPING PLANT	
321	Structures and Improvements	3.20%
323	Other Power Production Equipment	4.40%
325	Electric Pumping Equipment	4.40%
328	Other Pumping Equipment	4.40%
	WATER TREATMENT PLANT	
331	Structures and Improvements	3.20%
332	Sand and Other Media Filtration Equipment	3.30%
334	Other Water Treatment Equipment	6.00%
	TRANSMISSION AND DISTRIBUTION PLANT	
341	Structures and Improvements	3.20%
342	Distribution Reservoirs and Standpipes	1.90%
343.1	Transmission and Distribution Mains	1.30%
343.2	Transmission and Distribution Mains - Relined	2.00%
343.3	Transmission and Distribution Mains - Expense Depreciation	\$ 5,000,000
345	Services	2.90%
346	Meters	5.50%
348	Hydrants	2.20%
	GENERAL PLANT	
390	Structures and Improvements	2.90%
391	Office Furniture and Equipment	5.80%
391.1	Computer Equipment	26.70%
392	Transportation Equipment - Note 1	13.30%
393	Stores Equipment	5.80%
394	Tools, Shop and Garage Equipment	5.80%
395	Laboratory Equipment	5.80%
396	Power Operated Equipment - Note 1	7.50%
397	Communication Equipment	15.00%
397.1	SCADA/Telemetry Equipment	9.20%

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

PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of the City of Madison, Dane County, Wisconsin, as a Water
Public Utility, for Authority to Adjust Water Rates

3280-WR-116

CONCURRENCE AND DISSENT OF COMMISSIONER ELLEN NOWAK

I write to dissent, in part, from the Commission's decision in the Application of the Madison Water Utility (MWU) to increase rates, docket 3280-WR-116.

While I approved the rate increase overall, I raised a concern about the long-term funding to replace the pipes in MWU's system. I also dissented from the Commission's approval of a "pilot"¹ Customer Assistance Program (CAP) because, I believe, it violates our legislative mandate and will not withstand legal scrutiny². This dissent will focus on my disapproval of the CAP. The Commission's decision here has broader implications, which is why I feel it is important to express my concern.

The old adage that "silence speaks volumes" applies here, both to the utility and to the majority as neither offered much, if any, evidence or legal support for the CAP. The record was so remarkably thin that this, I fear, has now set a dangerously low bar for utilities to meet when proposing new programs.

¹ Even if the majority contends that its decision is somehow a test under Wis. Stat. § 196.395, that statute is not exempt from Wisconsin's antidiscrimination provisions that are cited throughout my dissent. Wisconsin Stat. § 196.395(1) merely states that the "commission may issue an order calling for a test of actual results under requirements prescribed by the order, during which test period the commission may retain jurisdiction of the subject matter." The statute says nothing about pilot programs like the proposed CAP.

² Upon final approval of this rate case, MWU's proposed CAP will be the first income-based CAP for a municipal water utility in Wisconsin.

The utility's stated purpose for the CAP is for the City of Madison to improve the affordability of its municipal services bill for low-income customers³. However, as this Commission only sets the rates for water and no other municipal service, it is important that the focus remain on the water portion of the municipal services bill. Unfortunately, throughout the record, the utility often conflated charges related to municipal services and water rates.⁴ Also, while the City could have funded the CAP directly through other revenue as opposed to ratepayer funds, this option was quickly dismissed by the applicant.

MWU's testimony demonstrated that the customers eligible for the CAP spend between .9-1.4% of their income on water each month. It is this amount – about 1% - which the utility states and the majority agrees is a financial “burden.” To lessen an eligible customer's water bill, the CAP would provide a rebate to customers' municipal services bills by either \$8 or \$12, depending on income bracket.

Because the CAP violates Wisconsin's general rule against discriminatory rates, it should have been rejected.

Background on Wisconsin's Prohibition on Discriminatory Rates

Wisconsin law prohibits the Commission from approving discriminatory rates for “like contemporaneous service.” Wis. Stat. § 196.01(1)(a). Wisconsin Stat. § 196.60(1)(a) elaborates on this concept by providing as follows: “[N]o public utility...may charge, demand, collect or receive from any person more or less compensation for any service rendered...than it charges, demands, collects or receives from any other person for a like contemporaneous service.”

³ In addition to the water utility bill, MWU's municipal services bill also includes charges related to the sanitary sewer, stormwater utility and an urban forestry program. (PSC REF#: 433280)

⁴ As stated by staff witness, Pire, “it is difficult for Commission staff to analyze municipal goals and considerations as opposed to utility operations and corresponding rates.” ([PSC REF#: 445585](#) at 2.)

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Likewise, Wis. Stat. § 66.0809(1) requires that municipal utilities set rates that are “uniform for like service in all parts of the municipality...”

Finally, the Commission is required to affirmatively prevent unjust discrimination under Wis. Stat. §196.37(2), which states:

If the commission finds that any measurement, regulation, practice, act or service is unjust, unreasonable, insufficient, preferential, unjustly discriminatory or otherwise unreasonable or unlawful..., the commission shall determine and make any just and reasonable order relating to a measurement, regulation, practice, act or service to be furnished, imposed, observed and followed in the future;

Likewise, the administrative code governing water service is in accord with the statute’s prohibition on discrimination. Wisconsin Admin. Code § PSC 185.15 states “[n]o utility shall provide water service free or at a rate different than provided for in its rates.”

Importantly, Wis. Admin. Code § PSC 185.21(2(a)-(b))⁵ requires that water utilities set rates based on the cost of service and actual customer consumption.

- (a) A public utility shall adopt general service water rates that reflect the cost of service for each class of customer and include a volume charge based on actual customer consumption.
- (b) A public utility may not adopt a rate under par. (a) if the commission finds that the rate is discriminatory or otherwise not in the public interest.

The Commission and Wisconsin courts have applied the statutes and code provisions that prohibit discrimination. Of note is *Petition of the City of West Allis for a Declaratory Ruling as to the Legality of Discounted Employee Water Bills*, 68, Wis. PSC 55, docket 6360-DR-100 (January 29, 1985). In that case, the Commission denied a municipal utility’s petition for a

⁵ While under Wis. Admin. Code § PSC 185.11 the Commission may have some flexibility in its application of the administrative code under “exceptional or unusual situations,” the Commission has no discretion to waive provisions of the enabling statutes nor the caselaw that interprets them. Further, the utility makes no case that the circumstances surrounding the proposed CAP amount to “exceptional or unusual situations.”

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declaratory ruling as to the legality of discounting the utility's own employees' water bills as a form of compensation. The municipal utility was granting those rate discounts without filing the reduced rates in its tariff. (*Id.* at 34-41). The Commission ruled that even if the utility had filed the discounted rate, it does not have the authority to approve rates that are unjustly discriminatory. The Commission's Order stated:

In addition to the clear language of the statutes themselves, both judicial and administrative decisions have held that a utility may not provide service to some persons at a rate other than service is provided to all customers for similar service. Nor may a utility provide some customers with free service.

(*Id.* at 37, citing *Milwaukee Elec. Ry. & Light Co. v City of Milwaukee*, 17 Wis. 329, 191 N.W. 298 (1921) (holding electric utility's agreement to provide free service to a village was discriminatory); *President & Trustees of Vill. of Kilbourn City v. S. Wis. Power Co.*, 149 Wis. 168, 179-80, 135 N.W. 499 (1912) (holding utility committed unlawful discrimination by providing a customer with free electricity.)

More recently, the Commission denied a proposal from MWU that would have offered financial assistance to its customers for lead service line replacement finding that the proposal was "unjustly discriminatory." (*Application of the City of Madison, Dane County, as a Water Public Utility, for Authority to Increase Water Rates*, docket 3280-WR-106) MWU requested a rate increase to pay for the cost of its lateral replacement program. Specifically, MWU's proposal included a 5.5 cent surcharge per hundred cubic feet on all water sales for ten years. (*Id.*) In rejecting the proposal, the Commission found it was unreasonable and unjustly discriminatory because it would use "public program dollars generated through utility rates [...] as a subsidy to furnish a direct benefit to an exclusive group of private property [owning

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customers].” Importantly, the Commission’s decision in that case was later upheld by the Wisconsin Supreme Court in *City of Madison v. Pub. Serv. Comm’n of Wisconsin*, 2002 WI App 102, 253, Wis. 2d 846, 644 N.W. 2d 293.

The Commission has also found instances where rates that are preferential to some customers are not necessarily unjustly discriminatory. For example, economic development rates (EDR) for gas, electric and water, which temporarily treat customers within the same rate class differently are not unjustly discriminatory where there is a showing of a benefit to the utility’s customers overall. The Commission’s approval of Wisconsin Power & Light’s pilot EDR was upheld in *Citizens Utility Board v. Public Service Commission*, 10-CV-3536 (2011). WP&L proposed discounted rates for new industrial customers that met certain criteria moving into the utility’s service area. Critically, the EDR was proposed to utilize existing capacity that exceeded utility needs. This, in addition to setting the EDR at a level that covered the marginal cost of service, ensured costs would not be shifted to other customers. In upholding the EDR, the Commission stated that “[e]conomic development can also spread the utility’s fixed costs over a larger customer base, which can help protect existing customers against rate increases.” (*Id.* at 2). Over the last several years, the Commission has upheld similar programs.

MWU’s CAP Violates Wisconsin Law

However, the exceptions recognized in *Citizens Utility Board v. Public Service Commission* and others generally do not allow discriminatory rates within a customer class and do not allow one group of ratepayers to subsidize another. The CAP proposal from MWU is unlike the cases that have found preferential rates not to be discriminatory in several respects. First, an important consideration for the Commission in those cases was the fact that the

customers qualifying for the rate differed in usage characteristics from others within the same rate class. Second, the Commission has considered whether the discriminatory rate has system-wide benefits.

The CAP fails on both counts. The main distinguishing characteristic for eligibility is income, not load.⁶ In fact, customers can qualify solely on income. While the utility did require conservation-related activities, upon review it turns out those requirements are hollow. MWU's proposal would require low-income customers who have not already participated in Project Home's Water Conservation Program or the Toilet Rebate Program enroll in order to qualify for the CAP. However, the majority ignored the exceptions to the program – most notably that all other residential customers could participate in a conservation program and save on their water bills. They also ignored the fact that a customer does not have to participate in the Toilet Rebate Program, just prove that they live in a residence that has participated in the program at some point⁷. For those customers that enroll in a conservation program, MWU did not propose any means of verifying whether customers actually participate and if they do not, what the consequences are⁸. In other words, the only real differentiating characteristic between eligible and ineligible customers is income.

Also lacking was any shred of evidence from the utility that CAP participants would provide systemwide benefits. As I just noted, the requirement that qualifying customers participate in conservation is hollow. Since any customer can participate in conservation

⁶ The utility admits that “[the CAP] has no connection to the volume of water used by a customer.” ([PSC REF#: 447057](#) at 9.)

⁷ MWU was not clear on how it would prove that a customer moved into a residence that has a qualifying toilet nor did it address how it would handle a situation where a customer replaced a qualifying toilet after being deemed eligible for the CAP.

⁸ Contrast this to the approved economic development rates where customers who enroll must demonstrate continued load growth to maintain eligibility.

benefits shouldn't all be eligible for the CAP? The record is also devoid of evidence that MWU's system was near its peak and that usage needed to be reduced to avoid additional construction and thereby costs for all ratepayers. The lack of evidence here is stunning.

The majority also accepted the argument from MWU that a "benefit" of the CAP is that low-income customers are more likely to pay their bill if given a rebate. First, this is merely conjecture. Second, if true, then would not it be true for all customers? Again, this is not a distinguishing characteristic or systemwide benefit.

Next, at the deliberation I questioned how the utility would monitor whether those eligible for the CAP remain eligible. In other words, if a customer enrolled in the CAP sees his or her household income rise above the threshold for eligibility, would the customer be removed from the CAP? It appears that this scenario was not addressed or contemplated by the utility. As a result, if a customer's income changes one month after qualifying for the CAP such that the customer is no longer eligible for the rebate, the utility, absent the customer self-reporting, would not become aware of the customer's change in status until the following year – or later – because it is not clear how often the utility would even check eligibility.

Further, at the deliberation my colleagues posed whether the CAP was an independent rebate program, or utility service, as opposed to a rate. There are several problems with this argument. Most notably, it is a distinction without an actual difference. The CAP will be placed on file at the Commission along with the utility's other rate tariffs. If a customer qualifies, they will receive the offset to their bill—their rates for service. Second, the evidence in this docket only demonstrates that in this regard the CAP "would effectively remove the monthly service charge for [a] qualifying customer" ([PSC REF#: 447708](#) at 11) and is thus part of the qualifying

customers' rates for water service (see also [PSC REF#: 447077](#) at 14). Third, even if there were some distinctions between the CAP and a filed customer rate, the antidiscrimination statutes are clear that utilities may not offer free service. Thus, if \$8 and \$12 monthly rebates are a utility service, qualifying customers are receiving this service for free⁹. It is also worth noting, income is the determining factor between an otherwise qualifying customer receiving \$12 versus \$8, a 50% difference; there are no additional use or conservation qualifiers between a customer that receives \$12 from one that receives \$8. This is again discrimination based on income.

Notably, in its application the utility also did not propose any metrics related to conservation activities of enrollees that purportedly provide systemwide benefits or even demonstrate a conservation related reduction in use. The record only demonstrated that a CAP customer must enroll in conservation efforts, not actually participate nor achieve any reduction in use. Contrast this to EDRs where participating customers must maintain a minimum increase in load to maintain eligibility.

Finally, regarding the financial eligibility, the majority accepted, without evidence, that a customer who pays 1% of his or her income towards water services suffers a "financial hardship." The Commission has accepted, without questioning, that 1% of income towards a service is a "financial hardship." That is astonishing. The Commission lacked any basis for accepting this "fact" and completely ignored the financial assistance that has been made available to customers experiencing a hardship paying their water bills, for example, deferred payment agreements per the utility's tariffs on file with the Commission or the LIWAP as referenced in the utility's testimony ([PSC REF#: 447078](#) 2-3) or the already existing "aggressive

⁹ It should go without saying, unless explicitly provided for by the Legislature, a public utility providing people money, as rebates or otherwise, is not a utility service.

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conservation rate structure with a lifeline rate structure for low users that is a part of [MPU's] overall affordability program ([PSC REF#: 447057](#) at 17).” Likewise, there were no comparisons utilizing this 1% drawn between the affordability of other Wisconsin municipal water utilities’ services for low-income customers. The utility notes that under its current rates average residential bills are “at the 57th percentile when including public fire protection,” but there is no mention of Madison’s income levels or distributions compared to other Wisconsin municipalities.

As I articulated, the CAP should have been rejected for multiple reasons. MWU’s CAP is no different than the rate discount that the Commission rejected in *Petition of the City of West Allis, supra*. The only distinguishing characteristic that qualifies one for the CAP is income. The utility’s other “requirements” to attain eligibility are, as demonstrated, meaningless. Approval of the CAP presents a dangerous example of nonuse characteristics being used as a basis for discriminatory rates which other utilities may seek to follow. Because the CAP is not permissible under Wisconsin law, I did not approve it.