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# Weston Municipal Utilities 2018 Budgets and Rate Proposals

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Report Date: 11/20/2017

Revision 1 - 01/08/2018

Revision 2 – 01/29/2018



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# Water Utility Rates Overview



# Water Rate Background

- Resolution 2016-018 to file for water rate increase.
  - Ehlers retained for rate study and filing with PSC
  - Considered Operation & Maintenance + Capital
  
- Last Water Rate Increase 2009
  - 8 years of “catch-up”
  - Recommended managing for a benchmark rate of return (PSC currently allows up to 5%).
    - ROR on \$13.4 M of net utility plant in service
      - 1% of assets = \$134,000 = approx. 6.3% of operating income.



# Public Service Commission of Wisconsin (PSC)

## ■ PSC role

- “...ensure that, in the absence of competition, adequate and reasonably priced service is provided to utility customers.”
- Establish standards of service
- Balances needs of utilities and customers

*All water utilities in Wisconsin (municipally owned and investor-owned) are regulated by PSC. This is not the case in the majority of states with the exception of investor-owned utilities.*



# Water Rate Background

- Rate Case Filed with PSC in August 2017
- PSC Financial Analyst determination of revenue need, dated 11/29/17
  - 22% Overall = \$466,000 (current revenue is \$2.1M)
  - 4% Rate of Return (PSC would allow 5% ROR)
- Weston accepted PSC analysis on 11/29/17



# *Factors in Water Rate (Expenses)*

■ Engineering Study*	\$130,000
■ Water Quality Study*	\$ 50,000
■ Hydrant Painting	\$ 30,000
■ GIS Technician	\$ 30,000
■ Utility Clerk Trainee	\$ 28,000
■ <u>Cross Connection*</u>	<u>\$140,000</u>
■ <b><u>TOTAL</u></b>	<b><u>\$408,000</u></b>
■ <b>NORMALIZED COSTS*</b>	<b>\$107,000</b>
<b>TOTAL ADDED COST</b>	<b>\$245,000</b>

*(annually approx. 1.8% ROR)*



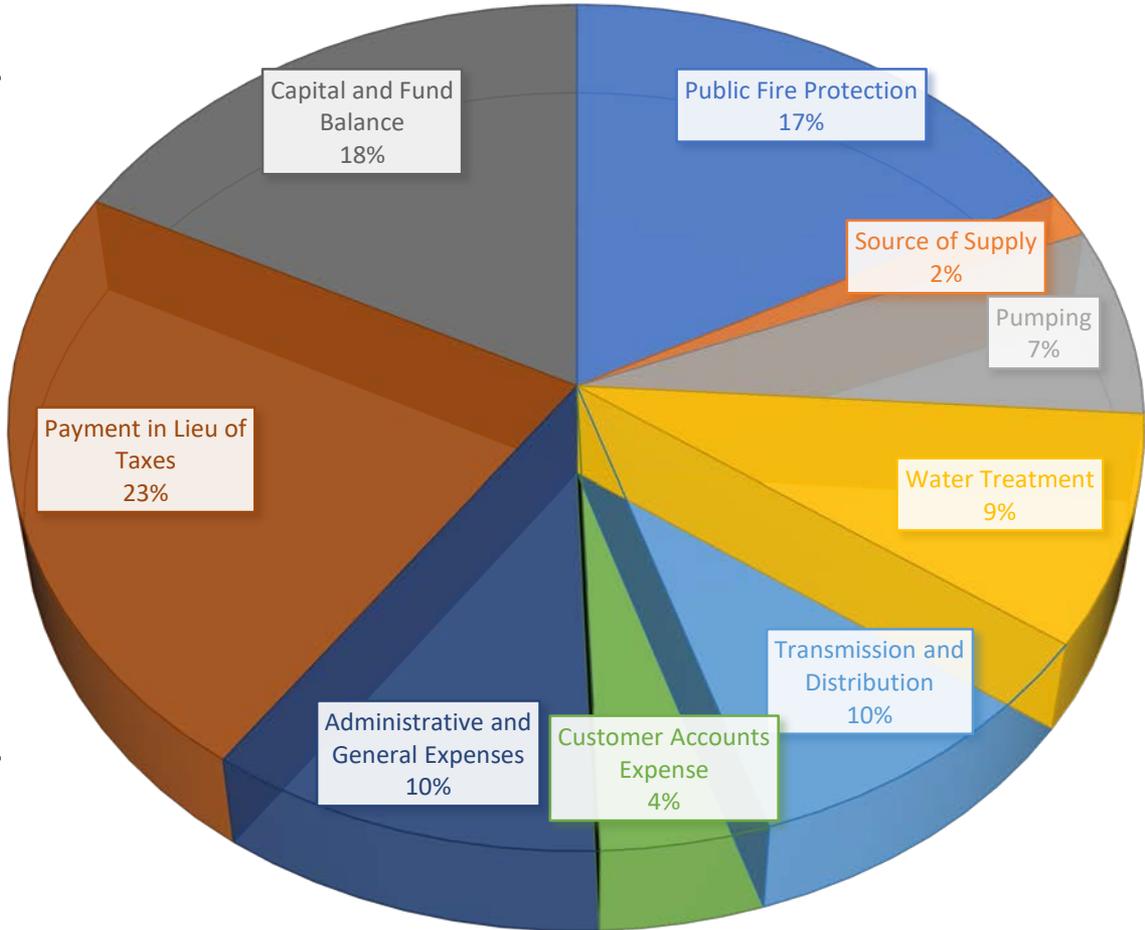
# *Factors in Water Rate (Capital)*

- Meter Project Capital Cost      \$1.4M
  - Recommended to borrow due to other future capital needs
  - Estimated Rate Impact      8.84% of revenue in Construction Authorization application
  
- **Approx. Annual Impact      \$235,000**  
*ROR impact - 1.75%*



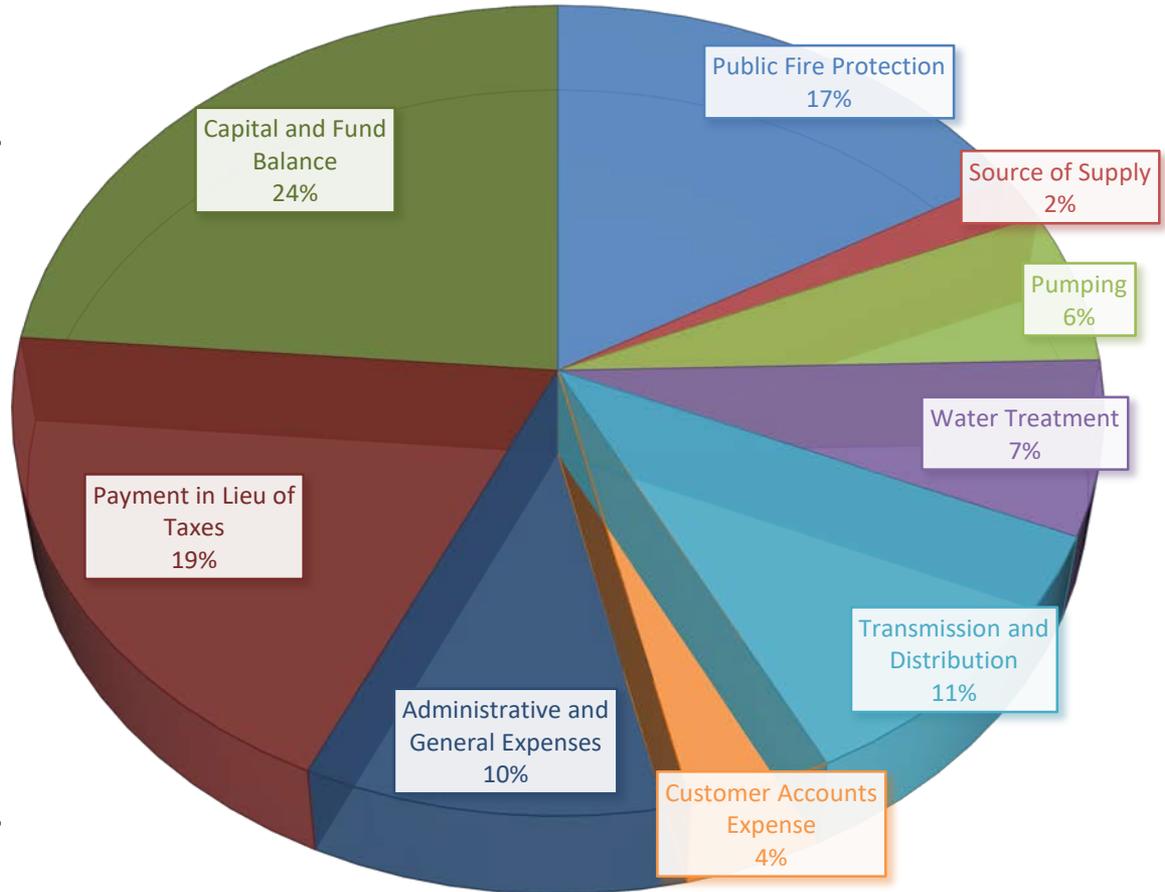
# WHAT YOUR WATER UTILITY DOLLAR PAYS FOR 2017 BUDGET AND RATE APPLICATION

Expense Category	2017 Rate Application
Public Fire Protection	367,347
Source of Supply	36,642
Pumping	153,730
Water Treatment	188,523
Transmission and Distribution	217,534
Customer Accounts Expense	94,052
Administrative and General Expenses	221,136
Payment in Lieu of Taxes	489,433
Capital and Fund Balance	372,503
<b>Total Revenue</b>	<b>2,140,900</b>



## WHAT YOUR WATER UTILITY DOLLAR PAYS FOR AFTER INCREASE

Expense Category	2018 Rate Increase
Public Fire Protection	433,582
Source of Supply	47,422
Pumping	159,783
Water Treatment	180,322
Transmission and Distribution	287,922
Customer Accounts Expense	101,507
Administrative and General Expenses	272,507
Payment in Lieu of Taxes	506,560
Capital and Fund Balance	617,252
<b>Total Revenue</b>	<b>2,606,857</b>



<b>Expense Category</b>	<b>2017 Rate Application</b>	<b>2018 Rate Increase</b>	<b>Difference</b>
<b>Public Fire Protection</b>	<b>367,347</b>	<b>433,582</b>	<b>66,234</b>
<b>Source of Supply</b>	<b>36,642</b>	<b>47,422</b>	<b>10,780</b>
<b>Pumping</b>	<b>153,730</b>	<b>159,783</b>	<b>6,053</b>
<b>Water Treatment</b>	<b>188,523</b>	<b>180,322</b>	<b>(8,201)</b>
<b>Transmission and Distribution</b>	<b>217,534</b>	<b>287,922</b>	<b>70,388</b>
<b>Customer Accounts Expense</b>	<b>94,052</b>	<b>101,507</b>	<b>7,455</b>
<b>Administrative and General Expenses</b>	<b>221,136</b>	<b>272,507</b>	<b>51,371</b>
<b>Payment in Lieu of Taxes</b>	<b>489,433</b>	<b>506,560</b>	<b>17,127</b>
<b>Capital and Fund Balance</b>	<b>372,503</b>	<b>617,252</b>	<b>244,749</b>
<b>Total Revenue</b>	<b>2,140,900</b>	<b>2,606,857</b>	<b>465,957</b>

# Water Rate Status

- As of 1/26/18 the application is still under review by PSC. Rate analyst is “designing” the rate structure.
- Initial feedback:
  - Step I (11.23% PFP and 20.6% general service)
  - Step II (1.6% PFP and 5.1% general service)

Increases annual utility revenue from \$2.1M to \$2.57M



# Water Rate Process

- PSC will:
  - Notify the Utility of final rate recommendations
  - Schedule a public hearing preceded by a public comment period
  - Hold a telephonic public hearing with Utility staff in Weston and administrative law judge in Madison
  - Issue a Rate Order

As of 1/26/18 the Utility estimates:

The public hearing will be in late February or early March.

The Rate Order would follow approximately 2 weeks later.

Step I rates would not be implemented until April 1 (est.)

Step II rates would be implemented after booking meter project.



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# Sewer Utility Rates Overview



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# Sewer Rate Background

- Last Sewer Rate Increase was 2015
  - Village Resolution No. 2015-03 (Approx. 8%)
  
- MSA Retained to Review Sewer Use Ordinance and Rates in 2017.



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# Sewer Rate Background

- MSA Recommendations
  - 17% volume charge increase
  - 14% meter base charge increase
  - 2.5% annual increases thereafter.
  
- Decision was to defer increase to be concurrent with water rate increase.



# *Sewer Increase Factors*

- Bond coverage ratio was estimated to be below 1.25 in 2017 (revenue/expenses net of depreciation and debt service)
- Major maintenance is needed to preserve the capacity of the collection system

If bond coverage ratio stays below 1.25 with no effort to improve, the utility risks being downgraded in risk ratings and increasing its future borrowing rates.

# Sewer Increase Factors

- Collection system Assessments
  - interceptor sewers (2017) #\* \$127,000
  - smaller mains annually \$ 50,000
- Sewer system maintenance
  - Estimated annual outlay \$ 50,000
- Administration
  - Planning study in 2018 – est.\* \$110,000
  - GIS Technician \$ 30,000
  - Utility Clerk Trainee \$ 28,000
  - Added income for debt coverage \$135,000

# = 2017 expense

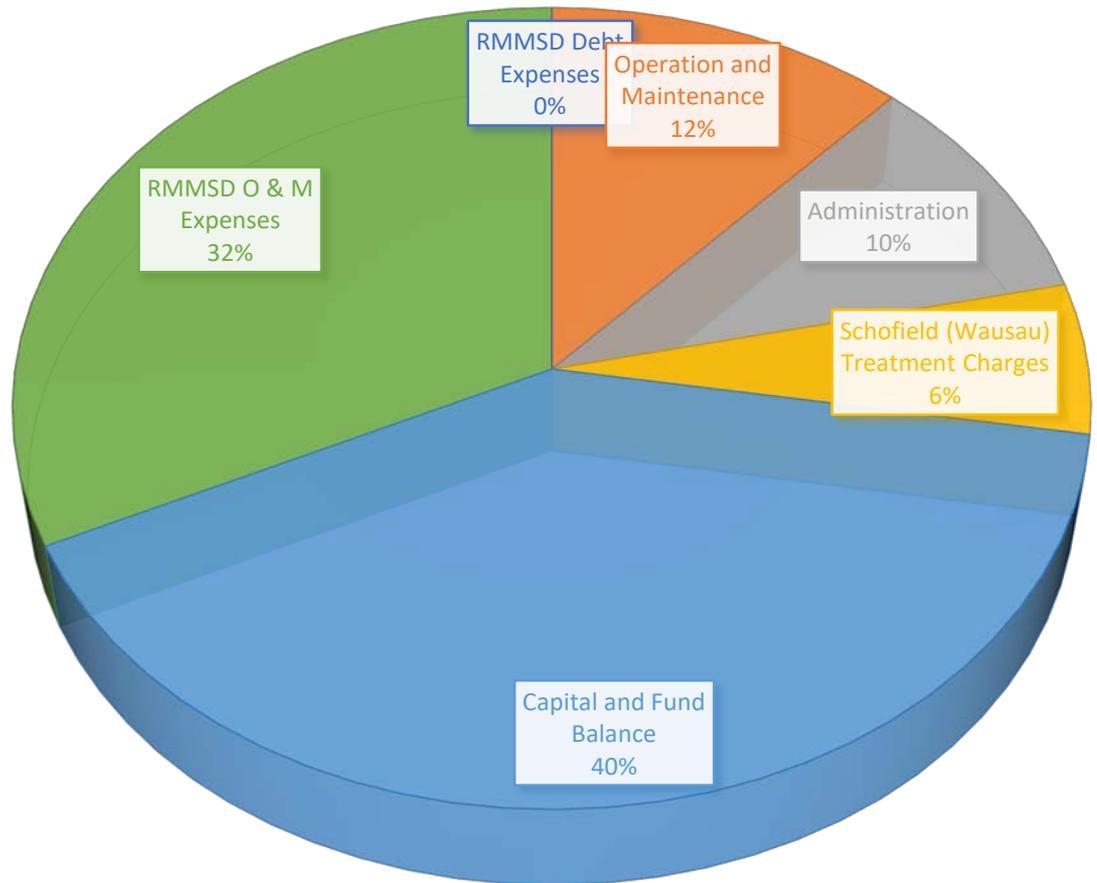
\* = Costs to be normalized/averaged

**INCREASE FROM 5 yr. AVE. ≈ \$370,000**



## WHAT YOUR SEWER UTILITY DOLLAR PAYS FOR 5 YR. HISTORY 2013 - 2017

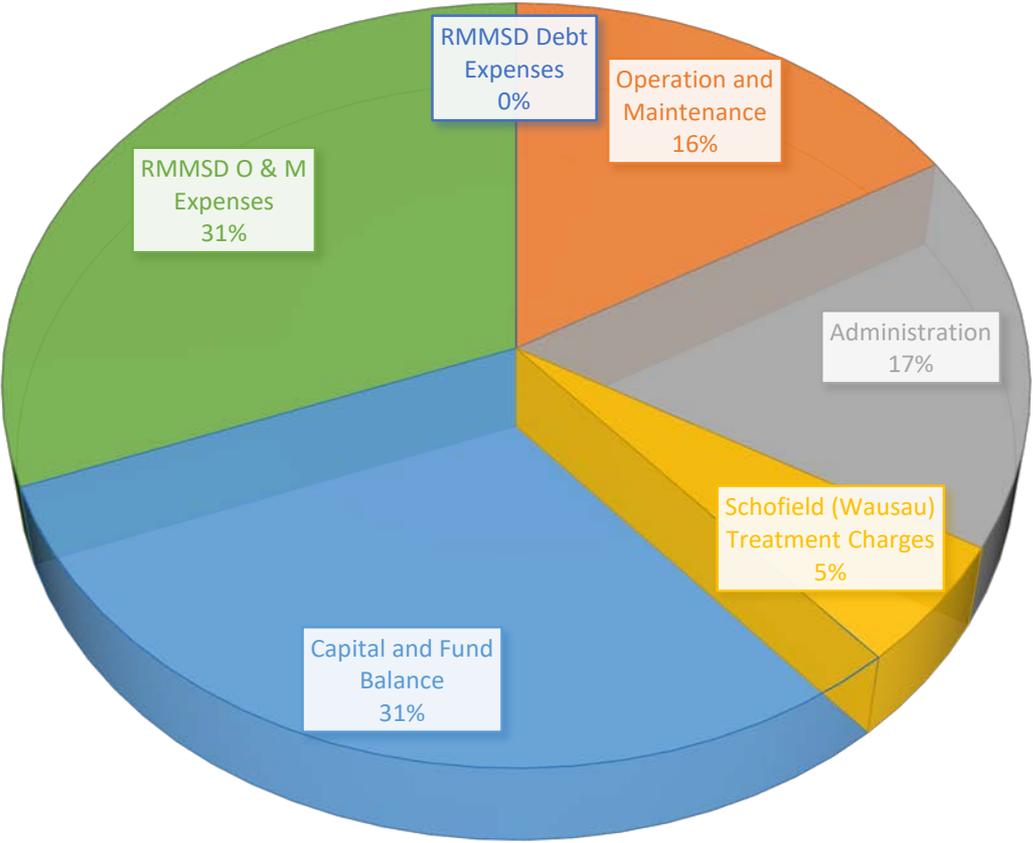
EXPENSE CATEGORY	5-year Average; '13 - '17
RMMSD Debt Expenses	-
Operation and Maintenance	229,591
Administration	185,699
Schofield (Wausau) Treatment Charges	117,241
Capital and Fund Balance	779,389
RMMSD O & M Expenses	618,163
<b>TOTAL</b>	<b>1,930,083</b>



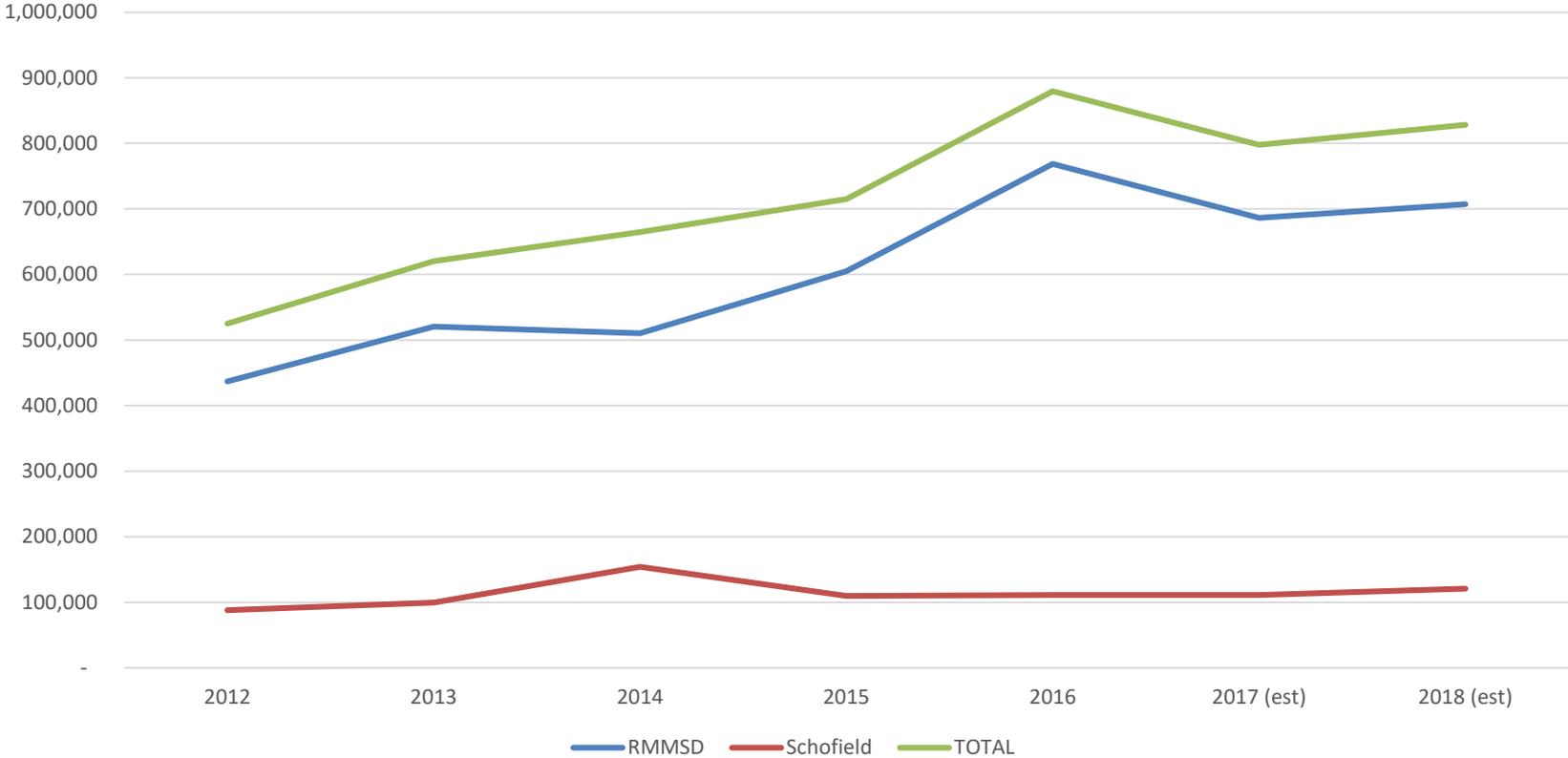
# WHAT YOUR SEWER UTILITY DOLLAR PAYS FOR AFTER PROPOSED INCREASE

**EXPENSE CATEGORY 2018 Budget**

<b>RMMSD Debt Expenses</b>	<b>-</b>
<b>Operation and Maintenance</b>	<b>379,484</b>
<b>Administration</b>	<b>387,325</b>
<b>Schofield (Wausau) Treatment Charges</b>	<b>120,882</b>
<b>Capital and Fund Balance</b>	<b>703,441</b>
<b>RMMSD O &amp; M Expenses</b>	<b>707,133</b>
<b>TOTAL</b>	<b>2,298,265</b>



**Weston Sewer Utility  
Annual Treatment O&M \$\$**



	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017 (est)</b>	<b>2018 (est)</b>
<b>RMMSD</b>	<b>436,897</b>	<b>520,584</b>	<b>510,262</b>	<b>605,086</b>	<b>768,371</b>	<b>686,512</b>	<b>707,133</b>
<b>Schofield</b>	<b>88,056</b>	<b>99,785</b>	<b>154,171</b>	<b>109,893</b>	<b>111,120</b>	<b>111,237</b>	<b>120,882</b>
<b>TOTAL</b>	<b>524,953</b>	<b>620,369</b>	<b>664,433</b>	<b>714,979</b>	<b>879,491</b>	<b>797,749</b>	<b>828,015</b>

## WESTON SEWER UTILITY

### PROJECTED RATE INCREASE

<b>EXPENSE CATEGORY</b>	<b>5-year Average; '13 - '17</b>	<b>2018 Budget</b>	<b>Difference</b>
<b>RMMSD Debt Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operation and Maintenance</b>	<b>229,591</b>	<b>379,484</b>	<b>149,893</b>
<b>Administration</b>	<b>185,699</b>	<b>387,325</b>	<b>201,626</b>
<b>Schofield (Wausau) Treatment Charges</b>	<b>117,241</b>	<b>120,882</b>	<b>3,641</b>
<b>Capital and Fund Balance</b>	<b>779,389</b>	<b>703,441</b>	<b>(75,948)</b>
<b>RMMSD O &amp; M Expenses</b>	<b>618,163</b>	<b>707,133</b>	<b>88,970</b>
<b>TOTAL</b>	<b>1,930,083</b>	<b>2,298,265</b>	<b>368,182</b>

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# Sewer Rate Process/Status

- Final review of rate by staff
  
- Adopt rate by ordinance of the BOT



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# UTILITY RATE ESTIMATES AND COMPARISONS

NOTE: THE RATE INCREASE ESTIMATES IN THIS  
EXHIBIT ARE BASED ON OVERALL  
PERCENTAGES ALLOCATED EQUALLY TO ALL  
CUSTOMERS AND USAGE

ACTUAL PERCENTAGE INCREASES MAY BE  
DIFFERENT AFTER REVIEW BY THE WISCONSIN  
PUBLIC SERVICE COMMISSION, FINANCIAL  
CONSULTANTS, AND VILLAGE STAFF



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# WATER RATE COMPARISONS

- Village is in the lowest quartile (2 out of 19)
- An increase **as currently understood** results in quarterly bill of approximately \$71.84 (17,500 gallons/quarter)
  - This would still be among the lowest quartile in Central Wisconsin (4 out of 19)

*\*Utility rates vary among communities for a variety of reasons so using averages is only a benchmark starting point.*



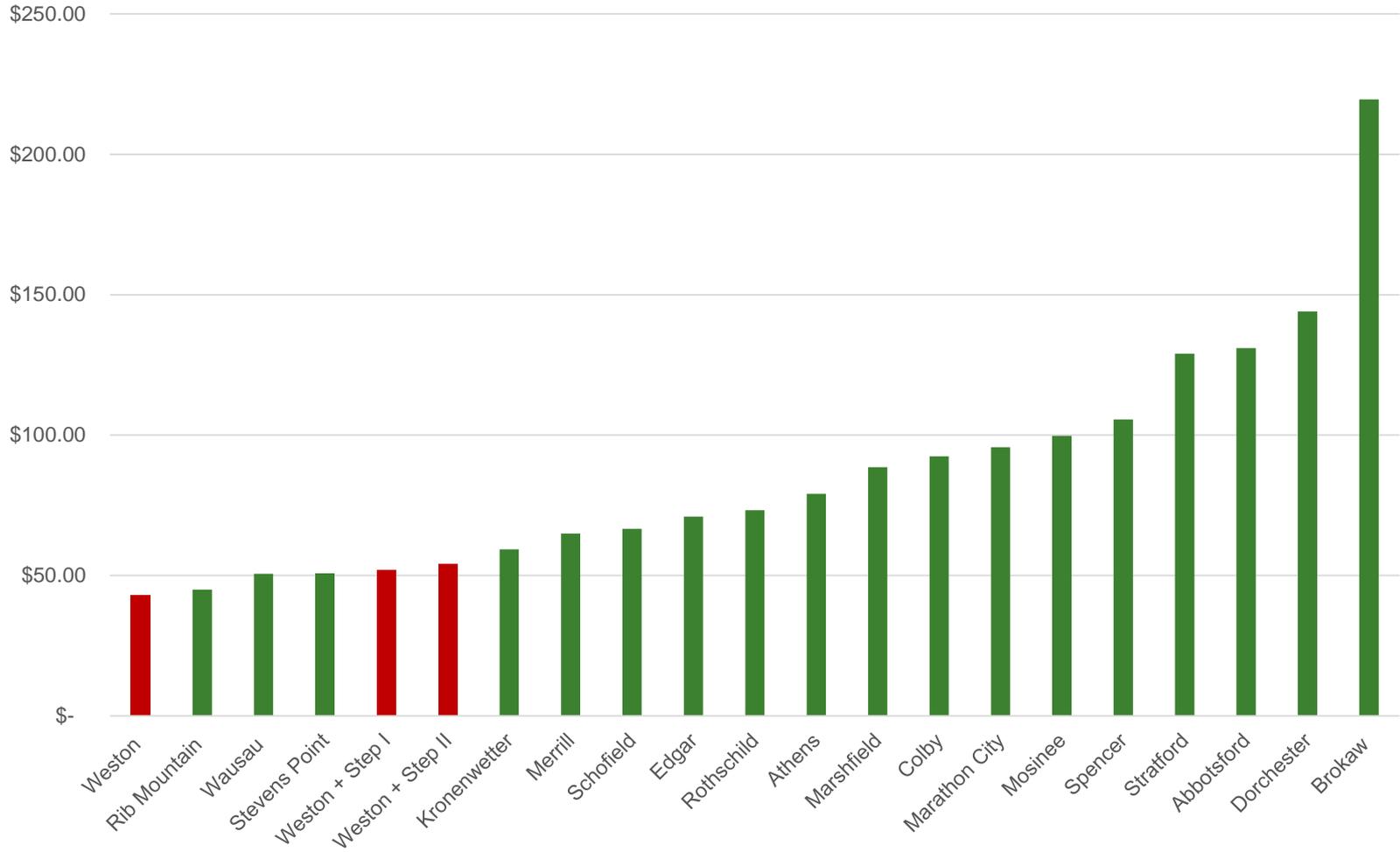
# SEWER RATE COMPARISONS

- Village is at median for Wausau urban area and comparables (4 or 5 of 10)
- An increase of 17% + 2.5% results in quarterly bill of approximately \$96.26 (17,500 gallons/quarter)
  - This would be slightly under average among the comparative communities

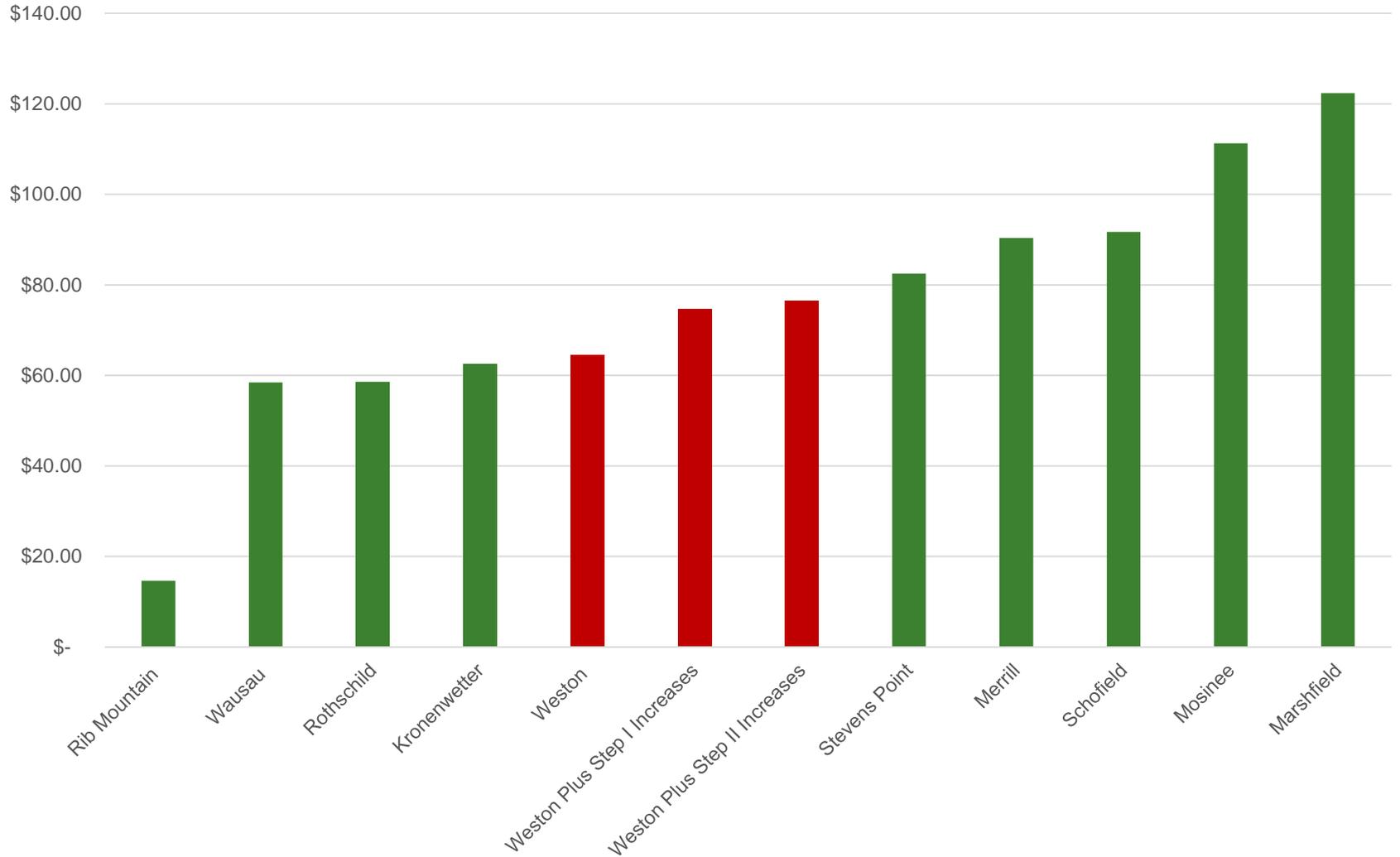
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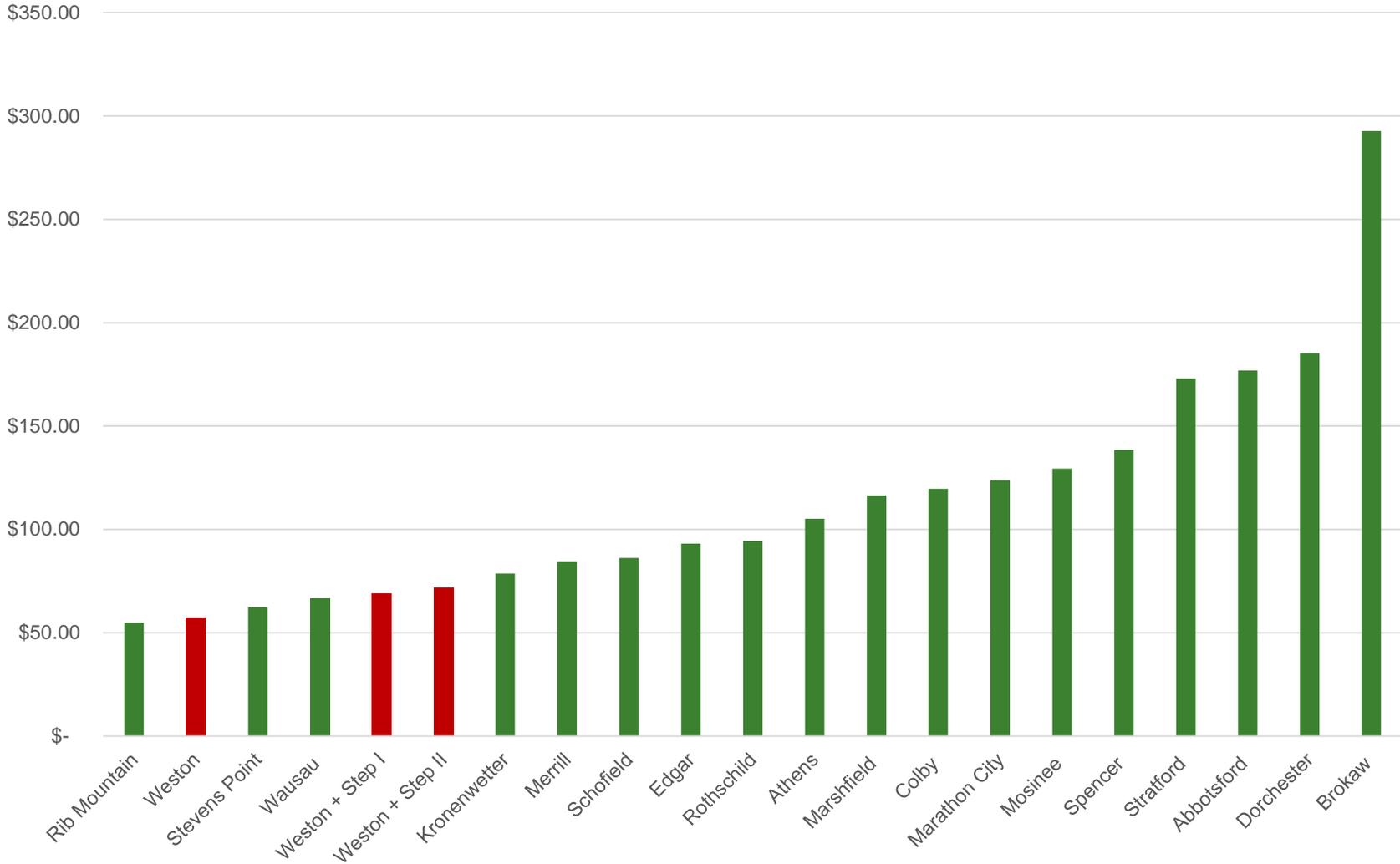
### Central WI Water Quarterly Utility Rates based on a 12,000 gallon bill (updated 12/15/17)



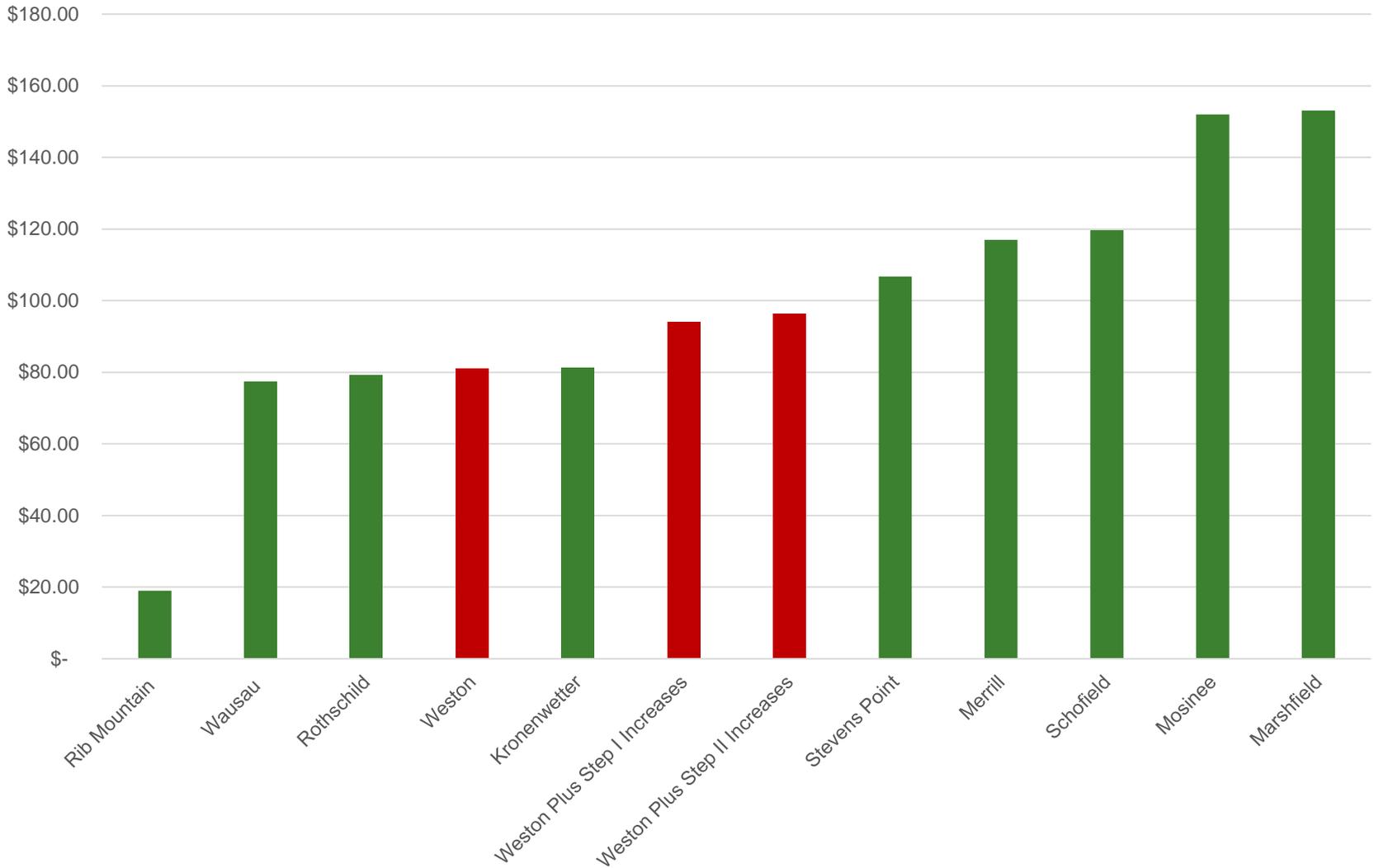
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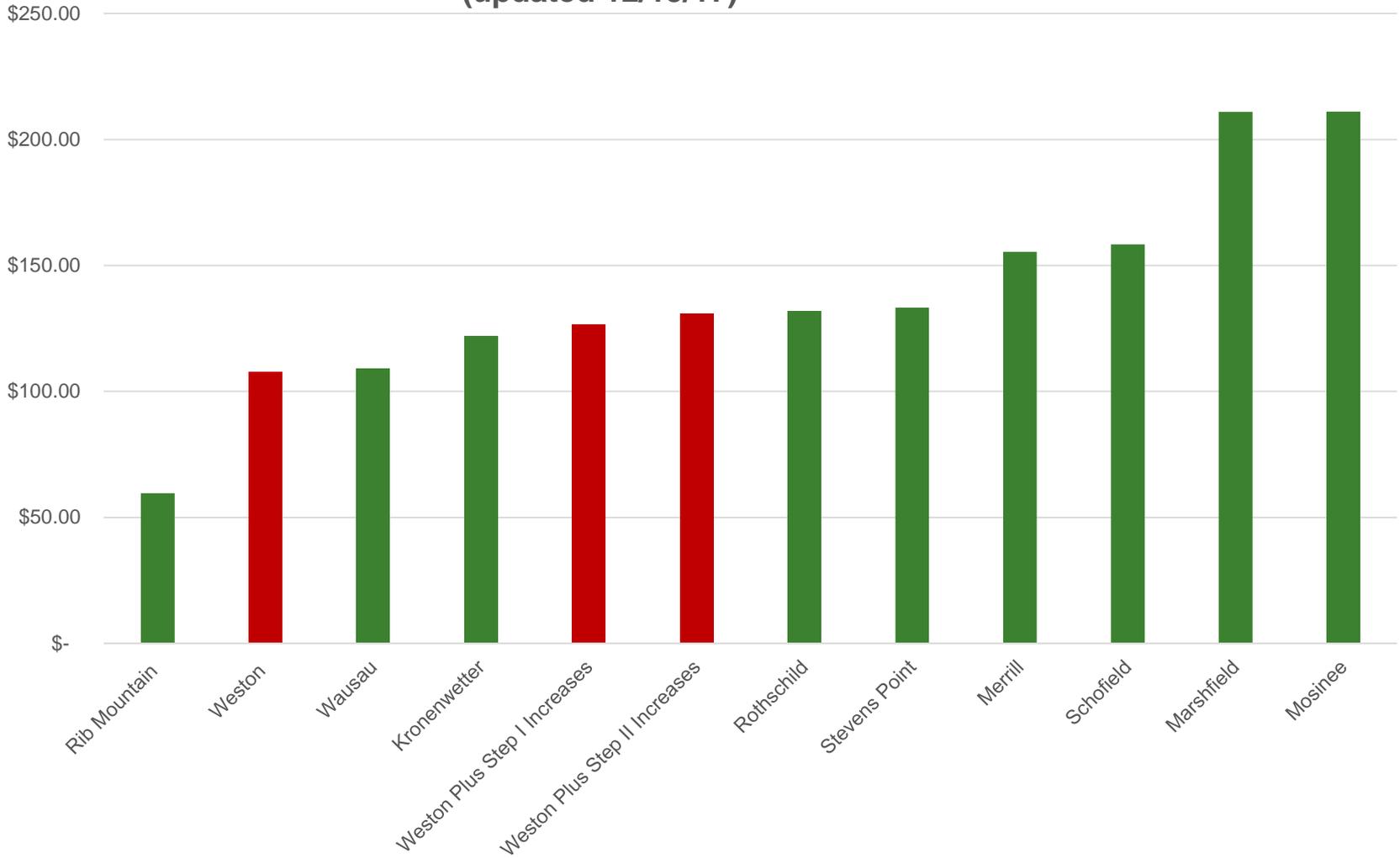
**Central WI Water Quarterly Utility Rates  
based on a 17,500 gallon bill  
(updated 12/15/17)**



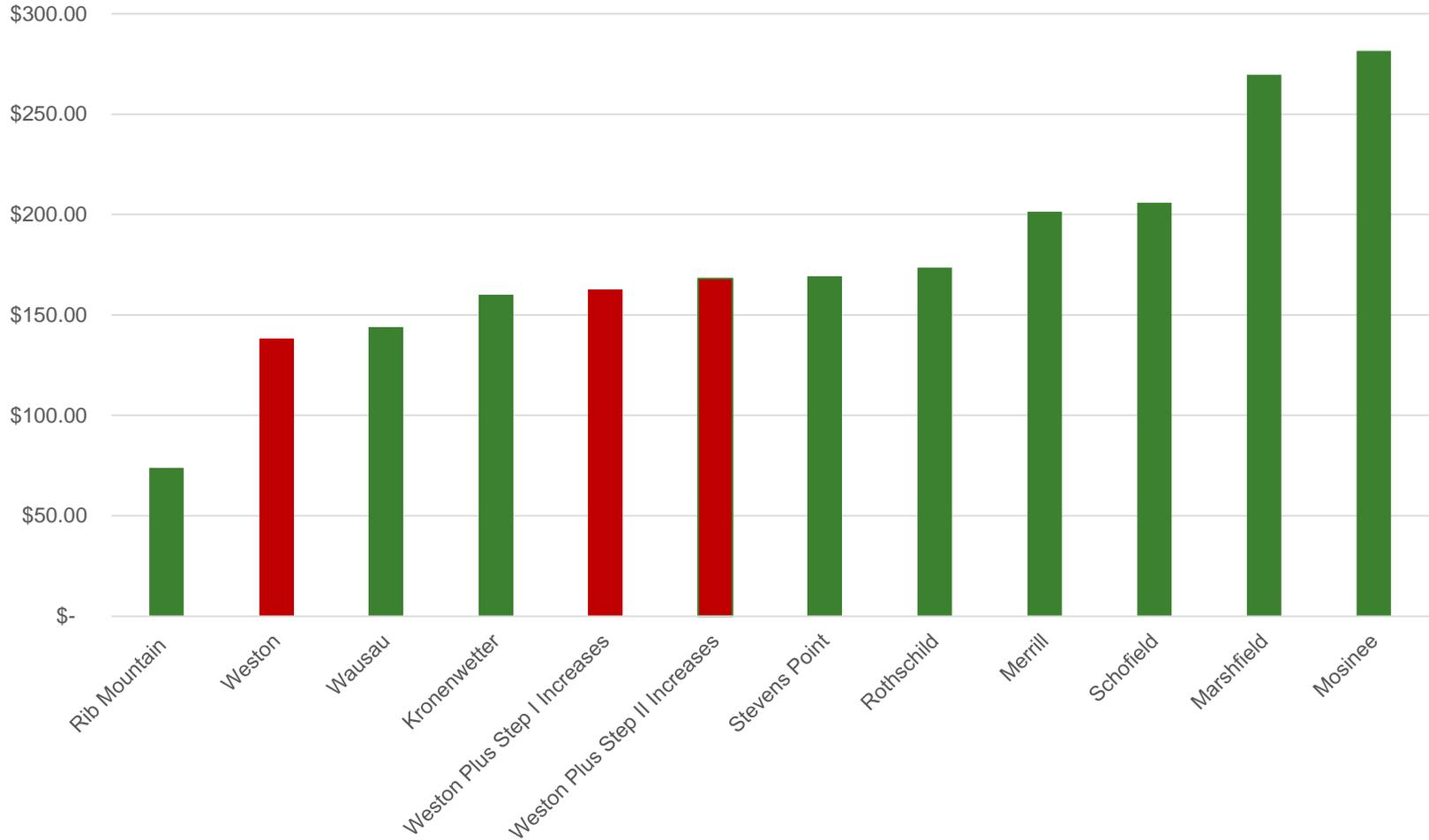
**Central WI Sewer Quarterly Utility Rates  
based on a 17,500 gallon bill  
(updated 12/15/17)**



**Central WI Water/Sewer Combined Quarterly Utility Rates  
based on a 12,000 gallon bill  
(updated 12/15/17)**



**Central WI Water/Sewer Combined Quarterly Utility Rates  
based on a 17,500 gallon bill  
(updated 12/15/17)**



**SUMMARY OF ESTIMATED QUARTERLY IMPACT OF PROPOSED INCREASES (\$\$)**

	12,000 gallon bill (\$\$)			17,500 gallon bill (\$\$)		
	Water	Sewer	Combined	Water	Sewer	Combined
Village of Weston Current	43.10	64.50	<b>107.60</b>	57.13	81.00	<b>138.13</b>
Village of Weston Plus Step I	51.98	74.61	<b>126.59</b>	68.90	93.92	<b>162.82</b>
Increase over Current	8.88	10.11	<b>18.99</b>	11.77	12.92	<b>24.69</b>
Village of Weston Plus Step II	54.20	76.48	<b>130.68</b>	71.84	96.26	<b>168.10</b>
Increase over Current	11.10	11.98	<b>23.08</b>	14.71	15.26	<b>29.97</b>
Increase over Step I	2.22	1.87	<b>4.09</b>	2.94	2.34	<b>5.28</b>

		Additional PFP Charge per Quarter
<b>Additional charge for Public Fire Protection (PFP) fees are excluded from rates for all utilities.</b>		
Weston's quarterly PFP charge is currently	17.49	-
Weston's quarterly Step I PFP charge is estimate to increase to	19.45	1.96
Weston's quarterly Step II PFP charge is estimate to increase to	19.74	2.25

**QUARTERLY BILL WITH PFP**

	12,000 gallon bill (\$\$)			17,500 gallon bill (\$\$)		
	Water	Sewer	Combined	Water	Sewer	Combined
Village of Weston Current	60.59	64.50	<b>125.09</b>	74.62	81.00	<b>155.62</b>
Village of Weston Plus Step I	71.44	74.61	<b>146.05</b>	88.36	93.92	<b>182.28</b>
Village of Weston Plus Step II	73.94	76.48	<b>150.42</b>	91.58	96.26	<b>187.84</b>

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