
Weston Municipal Utilities 2018 Budgets and Rate Proposals

Report Date: 11/20/2017

Revision 1 - 01/08/2018

Revision 2 – 01/29/2018

Revision 3 – 02/14/18



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
 - Docket #6420-WR-103
 - http://apps.psc.wi.gov/vs2010/dockets/content/detail.aspx?docket_id=6420-WR-103
- 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>
■ <u>TOTAL</u>	<u>\$408,000</u>
■ NORMALIZED COSTS*	\$107,000
TOTAL ADDED COST	\$245,000

(annually approx. 1.8% ROR)



Factors in Water Rate (Capital)

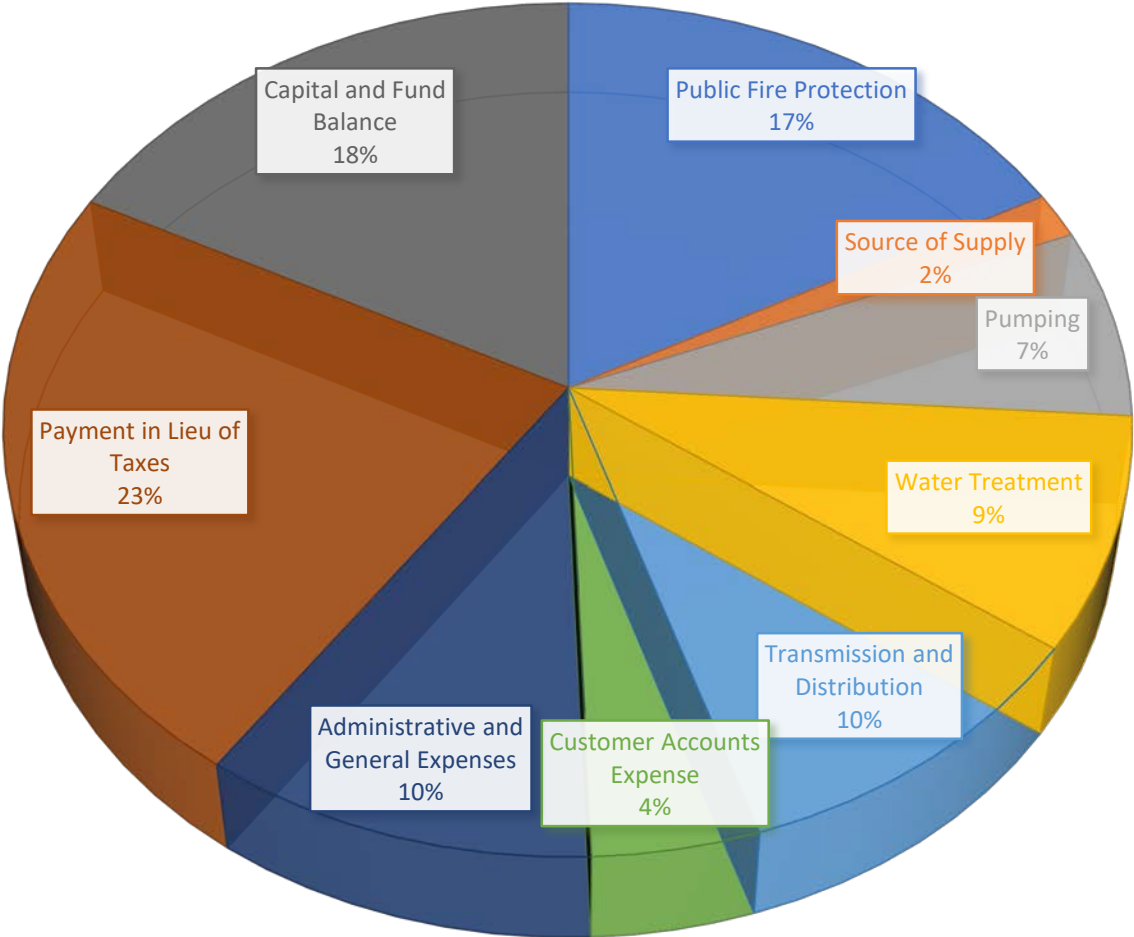
- Meter Project Capital Cost \$1.4M
 - Recommended to borrow due to other future capital needs
 - Estimated Rate Impact 8.84% of revenue in Construction Authorization application.
 - Actually a combination of ROR increase and Capital Cost
- **Approx. Annual Impact \$235,000**

ROR impact - 1.75%



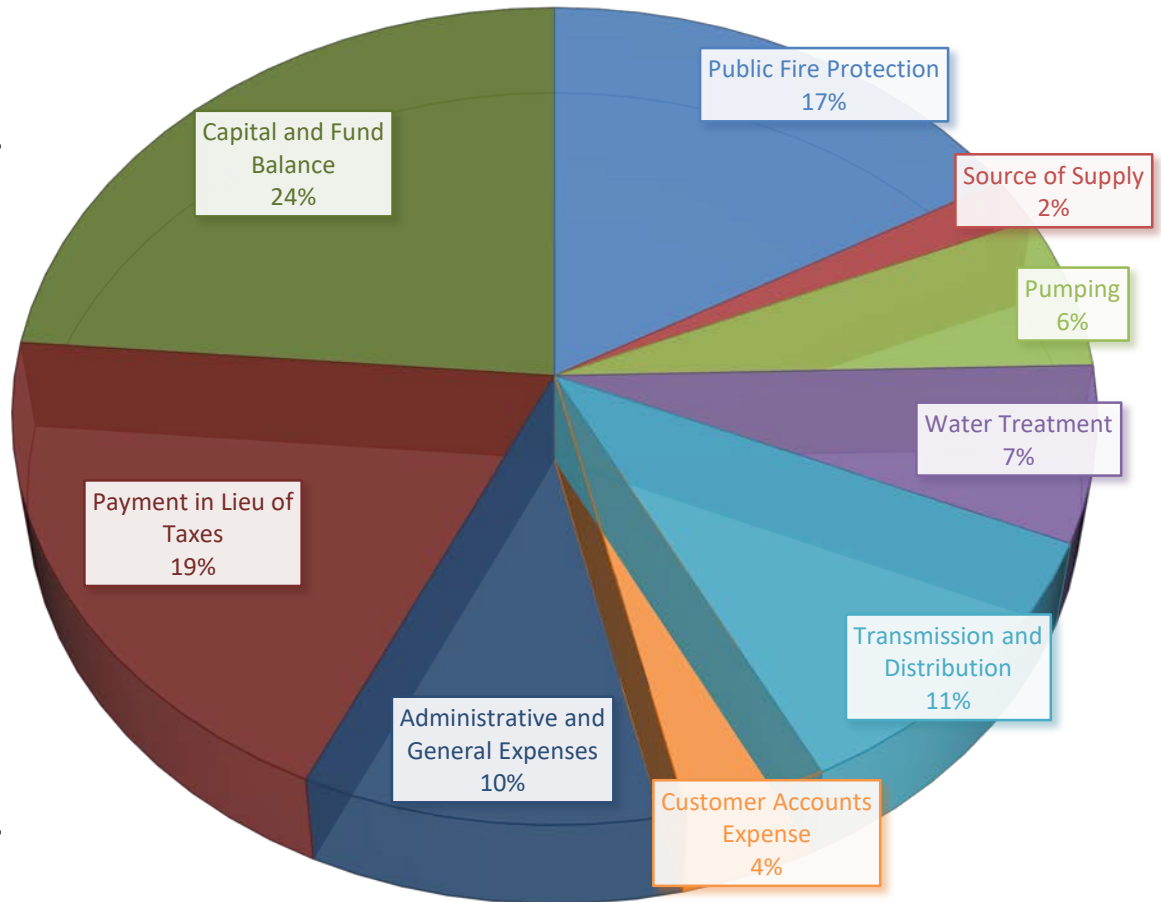
WHAT YOUR WATER UTILITY DOLLAR PAYS FOR 2017 BUDGET AND RATE APPLICATION

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
Total Revenue	2,140,900



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
Total Revenue	2,606,857



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

Water Rate Status

- As of 2/14/18 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 (As of 2/14/18)

■ PSC will:

- Notify the Utility of final rate recommendations
 - Expected mid to late March
- Schedule a public hearing preceded by a public comment period
 - Currently open in docket
- Hold a telephonic public hearing with Utility staff in Weston and administrative law judge in Madison
 - 4 weeks later ≈ mid to late April
- Issue a Rate Order

The Rate Order would follow approximately 2 weeks later.

Step I rates would not be implemented until May 1 at earliest (est.)

Step II rates would be implemented after booking meter project.

