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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-114

FINAL DECISION

This is the Final Decision in the Class 1 proceeding conducted by the Public Service Commission of Wisconsin (Commission) on the application of Madison Water Utility (MWU) for authority to adjust water rates. Final overall rate changes for the test year ending December 31, 2018, are authorized consisting of a $10,372,458 annual rate increase, or an overall increase of 30.6 percent over present revenues, based on a return on net investment rate base of 8.00 percent.

Introduction

On November 3, 2017, MWU filed a conventional rate case application seeking an overall increase in annual revenues of $8,503,315, or an increase of 25 percent over present revenues. The Commission issued a Notice of Proceeding on April 12, 2018. (PSC REF#: 341072.) On April 17, 2018, Citizens Utility Board (CUB) requested intervention in this proceeding. (PSC REF#: 341329.) On May 16, 2018, Administrative Law Judge (ALJ) Michael E. Newmark granted CUB's request to intervene. (PSC REF#: 342783.)

Pursuant to due notice, the Commission held a prehearing conference at Madison, Wisconsin, on June 20, 2018, before ALJ Newmark to establish the issues and schedule for this proceeding. (PSC REF#: 349397.) On June 29, 2018, ALJ Newmark issued an Order establishing the issues and schedule and incorporating the Guidelines for Contested Case Proceedings. (PSC REF#: 345393.)

On August 29, 2018, a public hearing was held in Madison, Wisconsin, for members of the general public, and a technical hearing was held for the parties to this proceeding to receive technical information and public comments. (PSC REF#: 347746.) The Commission's public hearing process involved the opportunity to submit written comments through the Commission's web site 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 Commission considered this matter at its open meetings of October 11, 2018 and November 1, 2018.

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 $35,175,138 for the 2018 test year. These rates fall short of the test year revenue needed by $10,372,458 and are unreasonable.

3. The estimated net investment rate base applicable to water utility operations for the 2018 test year is $213,371,712.

4. It is reasonable to disallow recovery of MWU's cost overruns that exceed 110 percent of construction costs authorized in dockets 3280-CW-117 and 3280-CW-120 and accept Commission staff's exclusion of $3,864,832 from the revenue requirement for the 2018 test year.

5. It is reasonable to adopt CUB's recommendation to lower the standard 10 percent cost overage margin to 5 percent for future MWU construction projects until the completion of MWU's next conventional rate case.

6. It is reasonable to disallow recovery of MWU's unauthorized construction costs for Well No. 31, and accept Commission staff's exclusion of $1,745,000 from the revenue requirement for the 2018 test year.

7. It is reasonable to accept Commission staffs' revised adjustments to MWU's conservation program expenditures, increasing the 2018 test year revenue requirement by $35,372.

8. It is reasonable for MWU to comply with the following additional conservation program reporting 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.

9. It is reasonable for MWU to request approval from the Commission for changes to its rebate program when administrative costs exceed 20 percent of total budgeted rebate

program costs, but only if total budgeted rebate program costs exceed 1.5 percent of the total revenue requirement. It is also reasonable for MWU to maintain its practice of requesting approval from the Commission for changes to its rebate program involving types of rebates and/or customer class offerings.

10. A reasonable return on net investment rate base is 8.00 percent.

11. It is reasonable to adopt the cost-of-service study (COSS) model set forth in Ex.-MWU-Granum-6 for the purposes of revenue allocation and rate design. (PSC REF#: 348647.)

12. It is reasonable to adopt MWU's cost-of-service and rate design proposal presented in Ex.-MWU-Granum-6 that uses a hybrid version of the class absorption method for allocating fire protection costs.

13. It is reasonable to adopt the revenue allocations proposed by MWU, including the proposed fire protection allocation, and as adjusted for the final revenue requirement, as set forth in Appendix B.

14. It is reasonable for MWU to evaluate more closely its balance between fixed and volume charges in future rate case proceedings.

15. It is reasonable for MWU to separate Duplex customers into a separate customer class for revenue allocation and rate design.

16. It is reasonable to design rates using a single uniform rate for the new Duplex customer class. MWU shall evaluate the uniform rate and Duplex class usage characteristics in its next rate proceeding.

17. It is reasonable to order MWU to file an application for another conventional rate case within two years from the effective date of the Final Decision in this proceeding.

18. It is reasonable to require MWU, within 60 days from the effective date of the Final Decision in this proceeding, to file with the Commission, for Commission staff's review and comment, a plan setting forth operational and financial changes MWU will implement to improve its financial condition and address operational and management challenges. It is reasonable to require MWU to finalize the plan within 90 days from the effective date of the Final Decision in this proceeding.

19. It is reasonable for the Commission to require MWU to report to the Commission every three months on its status and progress in implementation of the above plan until the filing of its next rate case.

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

Conclusions of Law

1. MWU 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 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 68,654 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). MWU acquired the water utility facilities and operations of Waunona Sanitary District No. 2, pursuant to the Final Decision in docket 5-WM-104, dated August 14, 2017. (PSC REF#: 329793.) As a result of that Final Decision, the Waunona Sanitary District No. 2 ceased operations, and MWU provides retail service to approximately 434 customers presently residing in the Town of Blooming Grove.

Net Investment Rate Base

The estimated net investment rate base for the 2018 test year is as follows:

Utility Financed Plant in Service		$277,200,317
Less:	Accumulated Provision for Depreciation	$61,980,357
Net Plant in Service		$215,219,960
Plus:	Materials and Supplies	679,750
Less:	Regulatory Liability for Pre-2003 Accumulated Depreciation - CIAC	2,527,998
Net Investment Rate Base		$213,371,712

Comparative Income Statement

MWU, CUB, and Commission staff presented testimony and exhibits concerning the estimated revenue requirement associated with MWU's water utility operations. Significant issues pertaining to the income statement are addressed separately below. The estimated test year income statement showing the effect of the increase in revenue which will result from authorized rates is as follows:

	At Present Rates	Authorized Increase	After Rate Increase
Operating Revenues	$35,175,138	$10,372,457	$45,547,595
Operating Expenses:			
Oper. & Maint. Exp.	$15,077,855		$15,077,855
Depreciation	5,906,443		5,906,443
Taxes & Tax Equiv.	7,493,560		7,493,560
Total Oper. Expenses	$28,477,858		$28,477,858
Oper. Income (or Loss)	$6,697,280		$17,069,737
Rate of Return	3.14%		8.00%

The depreciation expense included in the revenue requirement for the 2018 test year was computed using the depreciation rates shown in Appendix E. These depreciation rates are effective on January 1, 2018, for computing the depreciation expense on the average investment for each plant account.

Revenue Requirement

Construction Cost Overruns

All Commission construction authorizations for water construction projects require a utility to notify the Commission if its final project cost will exceed 110 percent of the authorized cost. On January 15, 2015, in docket 3280-CW-117, MWU requested a Certificate of Authority to equip Well No. 31 with a 2,200 gallon per minute (gpm) pump, booster pumps, water treatment equipment, utility storage, and associated standby power equipment. The application also included a request to construct a well house to house the new 2,200 gpm pump and 1.5 million gallon ground level storage reservoir. On June 16, 2015, the Commission issued a Final Decision granting a Certificate of Authority for the proposed project with an estimated cost of $5,949,000. (PSC REF#: 347878.) The Final Decision included an Order Point requiring MWU to promptly notify the Commission if the actual cost of the project were to exceed $5,949,000 by more than ten percent. On March 24, 2017, MWU notified the Commission of total construction costs of $9,852,000. (PSC REF#: 347885.) Of the total $3,903,000 in additional construction costs, $594,900 are costs within 110 percent of those authorized in docket 3280-CW-117, $1,563,100 are costs above 110 percent of those authorized in the construction docket, and $1,745,000 are costs associated with construction that was not authorized by the Commission. Unauthorized costs are addressed in a subsequent section of this Final Decision.

On June 18, 2015, in docket 3280-CW-120, MWU requested a Certificate of Authority to re-construct the Paterson Operations Center, construct an updated ventilation system, provide office space for current and future staff needs, and construct locker rooms, showers, and breakroom facilities. Additionally, the project included remodeling and updating the vehicle and material storage facility located across Paterson Street from the operations center. The original project cost estimate provided was $10,900,000, and it was later increased to $12,900,000. On January 12, 2016, the Commission issued a Final Decision granting a Certificate of Authority for the proposed project with an estimated cost of $12,900,000. (PSC REF#: 347880.) The Final

Decision included an Order Point requiring MWU to promptly notify the Commission if the actual cost of the project were to exceed $12,900,000 by more than ten percent. On February 6, 2017, MWU notified the Commission of total estimated construction costs of $15,945,000 for the Paterson Operations Center. (PSC REF#: 347882.) MWU later increased its estimate to $16,491,732 as part of its application in this proceeding. Of the $3,591,732 in additional construction costs, $1,290,000 are costs within 110 percent of those authorized in docket 3280-CW-120, and $2,301,732 are costs above 110 percent of those authorized in the construction docket.

MWU's application in the present rate proceeding requested recovery of all costs authorized by the Commission in dockets 3280-CW-117 and 3280-CW-120, unauthorized costs related to Well No. 31, and all cost overruns for both projects. Commission staff excluded a total of $3,864,832 in cost overruns from the revenue requirement for the 2018 test year. The excluded amount includes all construction costs that exceeded 110 percent of the authorized costs for both projects. The breakdown of the disallowed costs is described in the table below:

	Authorized	**Final Costs in Notification to PSC**	**Authorized Costs + 10%**	**Disallowed Costs**
Well No. 31	$5,949,000	$8,107,000	$6,543,900	$1,563,100
Paterson Operations Center	$12,900,000	$16,491,732	$14,190,000	$2,301,732
Total				$3,864,832

Commission staff noted concerns about MWU's pattern of incurring cost overruns above 110 percent of authorized costs. The revenue requirement approved in MWU's last rate proceeding (docket 3280-WR-113) in 2015 included 100 percent of the construction cost overruns associated with four projects authorized by the Commission. (PSC REF#: 347857.) While Commission staff allowed 100 percent of the cost overruns in the rate base in that proceeding, Commission staff informed MWU of these concerns and the need for MWU to ensure all costs that will be capitalized be included in the estimated costs in all future applications for Certificates of Authority for construction. (PSC REF#: 235378.) Despite these documented concerns, MWU incurred cost overruns on both the Well No. 31 and Paterson Operations Center projects.

In developing the revenue requirement for this rate proceeding, Commission staff removed all construction costs that exceeded 110 percent of the authorized project cost. CUB supported Commission staffs' adjustments. MWU rejected staffs' position and recommended full recovery of the cost overruns for both projects.

The Commission finds it reasonable to disallow $3,864,832 in construction costs for Well No. 31 and the Paterson Operations Center and require MWU to record $3,864,832 in construction costs associated with cost overruns for the Well No. 31 and Patterson projects in Account 121, Nonutility Property. The Commission finds it reasonable to record the accumulated depreciation in Account 122 Accumulated Provision for Depreciation and Amortization of Nonutility Property. Additionally, construction costs recorded in Account 121 shall not be considered utility plant for purposes of calculating MWU's Payment in Lieu of Taxes (PILOT).

The Commission has noted its concerns about MWU's pattern of construction cost overruns in recent years. However, cost overruns have continued despite the Commission's efforts in the last rate case to help MWU reign in construction cost overruns. Further, the Commission finds that the additional construction costs were foreseeable and anticipated, and thus should have been included in MWU's construction applications. The Commission finds this pattern of incurring cost overruns above 110 percent of authorized costs is unacceptable and unfair to utility rate payers. The Commission hopes that MWU, as Wisconsin's second largest water utility, will start setting the standard for operating excellence and not be an example of poor management.

Chairperson Roberts dissents.

Cost Overage Standard

Wisconsin Admin. Code § PSC 184.04(1)(c) states that a water utility shall promptly notify the Commission if it discovers or identifies that the project cost may exceed the estimated project cost by more than 10 percent. However, Wis. Admin. Code § PSC 184.01(2) provides that the Commission, upon investigation, may establish different requirements for a utility than those provided in Wis. Admin. Code ch. PSC 184. CUB recommended the Commission consider lowering the standard 10 percent cost overage margin for future MWU construction projects to five percent in hopes of encouraging MWU to better manage its construction process. MWU contended this change would serve no purpose, and instead recommended that the Commission open an investigation into the procedures Commission staff should follow when notified by a utility of construction cost overruns so that utilities, Commission staff and the Commission can better address overruns in a timely manner. Commission Staff took no position on the CUB recommendation.

The Commission finds it reasonable to adopt CUB's recommendation to lower the allowable cost overruns on future projects to five percent until the completion of MWU's next rate case. The issue will be revisited in the next MWU rate case which shall be filed within two years from the effective date of this Final Decision. The Commission hopes that the lower cost overrun limitation will send a signal to MWU that it has to better manage its construction process. The Commission declines to open an investigation into Commission staffs' procedures related to cost overrun notifications.

Unauthorized Construction

On January 15, 2015, in docket 3280-CW-117, MWU requested a Certificate of Authority to equip Well No. 31 with a 2,200 gallon per minute (gpm) pump, booster pumps, water treatment equipment, utility storage, and associated standby power equipment. The application also included a request to construct a well house to house the new 2,200 gpm pump and 1.5 million gallon ground level storage reservoir. On June 16, 2015, the Commission issued a Final Decision granting a Certificate of Authority for the proposed project with an estimated cost of $5,949,000. (PSC REF#: 347878.)

During the review of construction projects for this rate case, Commission staff found that the test well siting, testing, property acquisition, and final well construction, totaling $1,745,000, were completed in January 2014 without prior Commission authorization. Further, the costs associated with these actions were not included in either the Well No. 31 application or the Commission's authorization in docket 3820-CW-117. MWU's application in the present rate proceeding included a request for rate recovery of the total cost of the Well No. 31 project described in docket 3280-CW-117 including the costs of the unauthorized projects.

It is also noteworthy that MWU initiated reconstruction of the Paterson Operation Center prior to receiving a certificate of authority for construction of the project, which was issued by the Commission on June 18, 2015 (docket 3820-CW-120). The Commission issued MWU a letter of reprimand in the same docket (PSC REF#: 347881), but allowed the recovery of 110 percent of costs associated with the unauthorized construction of the Paterson Operations Center in the revenue requirement for the 2018 test year.

MWU's unauthorized construction of Well No. 31, coupled with its initiation of the Paterson project prior to receiving Commission authorization, is concerning to the Commission, as it indicates a casual disregard for Commission rules and statutory requirements. Commission staff excluded $1,745,000 in unauthorized construction costs associated with the Well No. 31 project from the revenue requirement for the 2018 test year. This disallowance is in addition to the $3,864,832 that was excluded for cost overruns on the Patterson and Well No. 31 projects as described above.

MWU rejected Commission staff's position and asked for full recovery of the project costs for Well No. 31. MWU included these costs in the notice of cost overruns sent to the Commission and, as part of this rate case, claims to have taken internal steps to avoid future unauthorized activities. (PSC REF#: 347885.) CUB supported the Commission staff's position that the unauthorized costs should be disallowed and that Commission procedures and regulations must be followed.

The violation of state statutes and Commission rules is a serious matter. Utilities are expected to know and follow the law. Similar to the cost overruns, MWU has exhibited a pattern of failing to comply with construction authorization requirements. The Commission finds it reasonable to disallow $1,745,000 in unauthorized construction costs associated with the Well No. 31 project and require MWU record these construction costs in Account 121, Nonutility Property. The Commission finds it reasonable to record the accumulated depreciation in Account 122 Accumulated Provision for Depreciation and Amortization of Nonutility Property.

Additionally, construction costs recorded in Account 121 shall not be considered utility plant for purposes of calculating MWU's PILOT.

Chairperson Roberts dissents.

Conservation Program Expenditures

In its Final Decision in docket 3280-WR-113, the Commission required MWU record $220,000 in annual conservation program costs in an accrual account. (PSC REF#: 347857.) In the present rate proceeding, MWU requested recovery of certain expenses incurred in 2015, 2016, and 2017, and $218,988 in expenses projected for the 2018 test year. Commission staff included $85,846 in expenses in the revenue requirement for the 2018 test year. This amount consists of a conservation budget of $194,235 for 2018, adjusted for $325,167 in underspent conservation funds from previous years. The underspent funds would be returned to customers over three years at a rate of $108,389 per year. Commission staffs' analysis involved determining if each expense category, as presented by MWU, should be:

1. Allowed in part or in total as part of MWU's conservation (rebate and other conservation activities) program;
2. Allowed in part or in total as part of MWU's communication program but not recorded as a conservation expense;
3. Disallowed, as expenses are associated with activities that support and promote functions of the municipality rather than the utility;
4. Disallowed, as expenses are associated with advertising that, according to provisions of Wis. Stat. § 196.595, does not "produce a demonstrated, direct, and substantial benefit for ratepayers;" or,

5. Disallowed, as there are limitations on use of utility funds under provisions of Wis. Stat. § 196.604, prohibiting service that "is rendered or is to be rendered free or at a rate less than the rate named in the schedules and tariffs in force…".

After evaluating additional information provided in MWU staffs' rebuttal testimony, Commission staff recommended revising the revenue requirement for the 2018 test year from Commission staffs' original $85,846 to $121,218, a difference of $35,372. The revised revenue requirement consists of a 2018 conservation budget of $200,740, adjusted for Commission staffs' calculation of $238,566 in underspent conservation funds from previous years. The underspent funds would be returned to customers over three years at a rate of $79,522 per year. Commission staffs' recommendation is based on the additional support MWU provided for including some expenses in the revenue requirement.

Many of the revisions include allowance of expenditures supporting conservation and general communication activities that are not necessarily part of MWU's rebate program. The revised disallowance consists of:

1. $3,613 in expenses for which MWU provided no support;
2. $29,182 in expenses that are subject to disallowance under Wis. Stat. § 196.595; and,
3. $40,000 in expenses associated with expansion of MWU's rebate program. This program, which is provided in partnership with Project Home, addresses MWU's conservation and rate affordability goals. However, Wis. Admin. Code § PSC 185.97(4) requires a utility receive Commission approval prior to modifying a water conservation program. In addition, there may be limitations on use of utility funds for these purposes under Wis. Stat. § 196.604.

With regard to 2018 test year expenses, Commission staff allowed $19,000 in design costs associated with MWU's Conservation House. Commission staff based its disallowance of $18,248 in other 2018 conservation program expenditures on the percentage of total costs disallowed in 2015-2017. After the adjustments, Commission staff recommended a total of $121,218 in conservation costs be included in the test year revenue requirement. MWU and CUB support Commission staffs' recommendation.

Based on the information above, the Commission finds it reasonable to accept Commission staffs' adjustments to conservation expenditures included in the revenue requirement for the 2018 test year.

Conservation Program Reporting Requirements

Several reporting requirements apply to MWU's conservation program. All utilities that receive Commission approval for a voluntary water conservation program under Wis. Admin. Code § PSC 185.97(2) must report annually on:

1. A summary of program activities in the previous calendar year.
2. An itemized accounting of administrative and program costs.
3. The program balance or deficit at the end of the year.
4. Estimated water savings attributable to the program, by customer class.
5. The number of customers receiving rebates or other incentives.
6. Estimate non-water benefits, including energy savings.
7. Other performance metrics identified by the public utility.
8. Any other information requested by the commission.

In addition, the program approved by the Commission in the 2009 rate proceeding, docket 3280-WR-111, established goals for the number of toilets replaced and gallons saved over a ten year period. (PSC REF#: 347871.) These goals are consistent with MWU's 2008 Water Conservation and Sustainability Plan. (PSC REF#: 347870.) Order Point 4 in the Commission's Final Decision in MWU's last rate proceeding, docket 3280-WR-113, states that MWU shall record a water conservation and efficiency program accrual amount of $220,000 annually and shall continue to record this amount until the Commission authorizes new water conservation accrual amounts. (PSC REF#: 347857.) Order Point 4 further states that, prior to its next rate application, MWU is required to assess its existing conservation program and determine if additions to or expansion of its program are necessary to help achieve its conservation goals. Order Point 5 from the Final Decision in docket 3280-WR-113 requires MWU file an annual report of its conservation program activities.

MWU provided most of the information related to these two order points as part of its 2015, 2016, and 2017 annual reports to the Commission. For information not included in its annual reports, MWU provided data in response to Commission staffs' data requests and testimony in this proceeding. MWU has been recording conservation program expenditures in Account 906, Customer Service and Information Expense. Entries in MWU's 2015, 2016, and original 2017 Commission annual reports did not reflect the correct accrual amount of $220,000; however, MWU revised its 2017 Annual Report to include the correct amount. MWU uses its social media program to communicate the status of its conservation program to ratepayers. In testimony and data request responses in this proceeding, MWU staff estimated its rebate program will result in 1 billion gallons of water saved by the time the program reaches its tenth year

(2019). MWU further stated it is close to meeting its goal of daily residential water use of 55 gallons per person per day, based on a five year rolling average. Commission staff recommended MWU be required to continue use of escrow accounting but recommends the escrow accounts include only rebate-related expenses. Commission staff further recommended that MWU be required to establish separate subaccounts for expenses associated with rebate program, non-rebate conservation program, general utility communication, and communication benefiting non-utility functions. These requirements will improve transparency and accuracy in tracking expenses and will help inform MWU's conservation program budgeting in the future. In addition, Commission staff recommended MWU be required to work with Commission staff to establish additional reporting that provides more detailed information about the Utility's conservation program. MWU does not support any changes to its present conservation program reporting, while CUB supports the recommendations of Commission staff.

In order to inform development of more cost-effective community conservation goals at reasonable cost to ratepayers, the Commission finds it reasonable to accept Commission staffs' recommendations regarding MWU's conservation reporting.

Requirements Regarding Changes to MWU's Conservation Program

Wisconsin Admin. Code § PSC 185.97(2) states a public utility may not administer or fund a voluntary water conservation rebate or incentive program without Commission approval. "Voluntary program" means a water conservation program a utility voluntarily proposes to administer or fund that provides rebates or other direct financial incentives to customers for water-efficient products or services. In 2008, in docket 3280-WR-110, MWU applied for and received approval to increase its revenue requirement by 1.3 percent to implement a rebate and incentive program supporting its 2008 Water Conservation and Sustainability Plan. (PSC REF#: 347875.) Wisconsin Admin. Code § PSC 185.97(4) requires a utility receive Commission approval in order to modify or discontinue a water conservation program. MWU has requested and received approval for several modifications to the rebate program originally approved in 2008, including a 2015 expansion of its program to include non-residential customers. (PSC REF#: 347877.) As part of a new program conducted in partnership with Project Home, between May 2016 and December 2017, MWU replaced eighty-five toilets and repaired plumbing leaks for low to moderate income customers at an average cost of $433.81 per toilet. MWU's Commission-authorized program includes $100 for each toilet replaced; however, MWU did not request approval from the Commission to modify its program to include additional offerings. While the new program addresses both affordability and conservation goals, there may be restrictions regarding use of utility funds for these purposes.

Over time, MWU's program expenditures have become weighted more heavily toward outreach, education, and administration compared with incentives. However, Commission staffs' analysis of MWU's program expenditures indicates some customer outreach and education and program administration costs from 2015 – 2017 are associated with non-rebate related activities and may not be appropriate to include in this analysis.

Category	Approved in 2008 Rate Case	2012	2013	2014	2015	2016	2017
Customer Outreach & Education	3.2%	6.9%	6.9%	11.5%	12.7%	12.8%	26.7%
Incentives	80.6%	69.7%	75.3%	61.3%	59.3%	60.7%	40.9%
Program Administration	16.1%	23.4%	17.8%	27.2%	28.1%	26.5%	32.3%

MWU has reduced its total conservation program expenditures in recent years, and the requested expenses in the present rate proceeding represent approximately 0.44 percent of the revenue requirement, compared with 1.3 percent of the revenue requirement in the 2008 rate proceeding. MWU stated its 2018 test year conservation program expenses are lower than the previous rate case test year costs, due to a scaled back toilet rebate program and MWU's effort to reduce spending in 2018.

Commission staff recommended the Commission require MWU request approval from the Commission for changes to its rebate program when administrative costs exceed twenty percent of total budgeted rebate program costs, but only if total budgeted rebate program costs exceed 1.5 percent of the total revenue requirement. Commission staff further recommended MWU be required to maintain its present practice of requesting approval from the Commission for changes to its rebate program involving types of rebates and/or customer class offerings. MWU supported no additional requirements beyond its present practice. CUB did not take a position on this issue.

The Commission finds it reasonable for MWU to modify its conservation program as it matures and to require that Commission staffs' recommendations be adopted to help ensure expenditures on conservation programs remain reasonable.

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 neither MWU nor CUB contested and should be incorporated into the revenue requirement. (PSC REF#:

347855.) The Commission finds all uncontested Commission staff adjustments to MWU's filed operating income statements are reasonable.

Capital Structure

MWU's capital employed in providing public utility service that is associated with the net investment rate base is estimated to be 21.88 percent municipal equity and 78.12 percent long-term debt. The composite cost of debt is 4.51 percent. MWU's highly levered capital structure was addressed in the Final Decision in docket 3280-WR-113, in which "[t]he Commission caution[ed] the applicant…that a 77.16 percent debt ratio is too high to provide the degree of financial integrity that is required over the long term and recommends that the debt ratio be reduced to reasonable levels as soon as practical. A reasonable municipal structure is generally considered to be roughly 50 percent equity and 50 percent debt." The Commission again expresses concern with the level of financial leverage embedded in MWU's capital structure.

Return on Rate Base

The principal factor generally used to determine an appropriate return is the investors' required return. Authorized returns less than the investors' required return would fail to compensate capital providers for the risks they face when providing funds to the utility. Such sub-par returns would make it difficult for a utility to raise capital on an ongoing basis. On the other hand, authorized returns that exceed the investors' required return would provide windfalls to utility investors as they would receive returns that are in excess of reasonable expectations. Unreasonably high returns would be unfair to utility consumers who ultimately pay for those returns. In reaching its determination as to the appropriate return, the Commission must balance the needs of investors with the needs of consumers, with due considerations to economic and financial conditions, along with public policy considerations. When making this decision, the Commission exercises its legislative function in setting policy based upon its balancing of these factors. The law recognizes the great degree of discretion exercised by the Commission in making such decisions and affords such decisions great weight deference. The use of this discretion is also necessary because the investors' required return cannot be measured with precision.

In this case, MWU's only investor is the City of Madison. In the case of a municipally-owned public utility, Wis. Stat. § 66.0811(1) provides that a "city, village or town owning a public utility is entitled to the same rate of return as permitted for privately owned utilities." Thus, the same standards and considerations used by the Commission in determining appropriate returns for investor-owned public utilities are applicable to municipally-owned public utilities. In the case of municipally-owned water utilities, absent better information, the Commission generally uses a benchmark rate of return for municipal utilities in determining what return a given public utility should earn. Due to the significant number of municipal utilities regulated by the Commission, this benchmark is established for pragmatic purposes. For a utility with a reasonably balanced capital structure, the Commission's methodology for establishing the benchmark rate of return results in an adequate return on equity. The benchmark rate of return takes into consideration current market conditions at the time a utility's revenue requirement is finalized. The Commission adjusts the allowable rate of return on rate base in a particular case based on the evidence presented in that case.

The benchmark rate of return on rate base was 5.10 percent at the time MWU's revenue requirement was finalized. MWU's revised application proposed a 6.45 percent rate of return, stating that an above-average return would be needed to remain compliant with its debt service covenants.

MWU's capital employed in providing public utility service that is associated with the net investment rate base is estimated to be 21.88 percent municipal equity and 78.12 percent long-term debt. The composite cost of debt is 4.51 percent. A rate of return of 8.00 percent would provide an adequate return on municipal earning equity and 2.27 times interest coverage.

The 8.00 percent rate of return provides MWU with 1.27 times debt service coverage and allows the Utility to meet its debt service covenants. The Commission is reluctant to authorize a percent return on rate base that is significantly higher than the benchmark rate of return, unless MWU can demonstrate that its cost of debt and its debt ratio are high enough to require a return of that level. In this case, MWU, with a composite cost of debt of 4.51 percent and a high debt ratio of 78.12 percent, has met that test. The Commission finds it reasonable to adopt an 8.00 percent rate of return for the purpose of supporting the financial health of the utility. MWU is ordered to revisit the appropriate rate of return in its next rate case.

Because of these concerns, the Commission finds it reasonable for MWU to prepare and submit a plan detailing actions that will be taken to strengthen its financial condition such that the standard municipal rate of return will be sufficient to support its required credit metrics in the future, as discussed below. As discussed below, the plan must include options for MWU to achieve a capital structure more reasonably balanced between debt and equity within a reasonable period of time.

Cost of Service, Revenue Allocation, and Rates

Cost-of-Service Studies

Trilogy Consulting, LLC. (Trilogy) submitted for the record an analysis of the cost of supplying water for general service and for public fire protection (PFP) service. Trilogy used the base-extra capacity cost allocation method for the analysis. Under this method, the operating expenses are allocated first to the service cost functions of extra-capacity maximum-day and maximum-hour demand, base, customer, and fire protection and then to each of the customer classes served. Summaries of such analyses are shown in Schedules titled "Customer Class Demand Ratios" and "Allocation of Service Cost Functions to Customer Classes – Combined Retail and Wholesale ROI" and of Ex.-PSC-Granum-6, Trilogy's primary proposal in the record in this proceeding. Appendix B shows customer class final revenue requirements, present revenues, and authorized rates.

MWU provided comprehensive cost-of-service studies (COSS) and testimony regarding COSS methodology. Commission staff and CUB provided testimony regarding COSS methodology. Historically, the Commission has considered the results of multiple COSS approaches for the purposes of allocating revenue responsibility. The results of the various COSS are shown below for the major customer groupings. Each COSS reflects the different assumptions and judgments used by MWU.

The difference between the two exhibits shown below is the way fire protection was allocated. In Ex.-MWU-Granum-5, MWU used the class absorption method as described in the PFP study (Ex.-PSC-Hanna-1). In Ex.-MWU-Granum-6, MWU proposed a blended version of the class absorption method, as described in MWU's testimony. Neither of the two methods have been approved or disapproved by the Commission in prior rate proceedings.

Public Fire Protection: Class Absorption Method

Trilogy proposed a new method to allocate costs regarding PFP. This method is known as the hybrid approach of the class absorption method. MWU did not follow the Class Absorption method outlined in the PFP Study (Ex.PSC-Hanna-1) in Ex.-MWU-Granum-6. The class absorption method described in the PFP Study removed PFP costs in the cost-of-service (COS) portion of the analysis, while Ex.-MWU-Granum-6 did not. Instead, MWU's hybrid class absorption method used the conventional COSS methodology, computed the total PFP COS (private and PFP) and then computed PFP charges based on the equivalent meters method. The hybrid method then rolled the direct PFP charges into the meter charges. This allows MWU to remove the PFP charges as a separate line item on the water bill. Essentially, MWU proposed to remove the direct PFP charges from the water bill by adding them to the meter charges and to also include the cost of the private fire protection service with the meter charges. The hybrid class absorption method proposed by MWU has not been used in other water rate cases. All parties supported the acceptance of a specific COSS model and, in particular, Ex.-MWU-Granum-6.

The Commission finds it reasonable to adopt MWU's COS and Rate Design proposal presented in Ex.-MWU-Granum-6 that used a hybrid version of the class absorption method to fold PFP charges into meter charges.

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 decisions. 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, Commission staff did not file its own revenue allocation. It is important to note the COS in Ex.-MWU-Granum-5 and Ex.-MWU-Granum-6 are different as stated above. MWU supported the COSS and revenue allocation provided by Ex.-MWU-Granum-6. CUB stated it supports either rate design with its associated COS. Commission staff expressed concern over the balances between fixed and volume charges within the COSS of Ex.-MWU-Granum-6. 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.-MWU-Granum-6 and require that MWU evaluate closely its balance between fixed and volumetric charges in future rate proceedings. Given the decisions by the Commission regarding the conservation factors discussed above, Commission staff updated the revenue allocation of Ex.-MWU-Granum-6 to better reflect the final revenue requirement. The authorized revenue allocation can be found in Appendix B of this Final Decision. This revenue allocation strikes a reasonable balance between the various principles of rate design identified in this proceeding, will create proper price signals and will ensure all customers pay an appropriate amount for the service provided.

Since the Commission approved $35,372 be added back into the total revenue requirement, the final revenue allocation authorized in this final decision is slightly different when compared to the revenue allocation proposed in Ex.-MWU-Granum-6. The volume charges on Schedules Mg-1R, Mg-1MF, and Mg-1S1 were adjusted appropriately to reflect the final revenue requirement that includes the additional dollars.

Customer Classification

MWU proposed to separate the duplex residential meters from the residential customer class and place them into their own customer class. Also, MWU requested a uniform rate block for the new customer class. CUB and Commission staff supported the creation of a new duplex residential customer class, but were concerned about the limited amount of class usage data used to determine the uniform rate design. Both agreed the rate structure should be reevaluated in a future rate case when more data on class usage characteristics is available. MWU did not support future reevaluation of the duplex rates in a future rate case.

Wisconsin Stat. § 196.02(2) states that "[t]he Commission shall provide for comprehensive classification of service for each public utility. The classification may take into account the quantity used, the time when used, the purpose for which used, and any other reasonable consideration."

Uniform rate structures have the primary advantage of being more simplistic than block rate (both declining and inclining) structures. This simplicity translates into rates that are more easily understood and implemented by the utility and its customers. Because all customers in a class pay the same volume charge for water service, uniform rates are generally considered to be more equitable and require less education and outreach to customers. Uniform rates also provide a conservation price signal without the complexity and potential equity issues often associated with an inclining block rate structure. While not as simplistic as a uniform rate structure, declining block structures are also generally fairly easily understood by customers. This rate structure provides a mechanism for allocating costs between customer classes with different demand patterns, but does require additional information and analysis of customer demand patterns in order to design equitable rates. Declining block rate structures may be perceived as promoting consumption rather than conservation, which may be a concern if a utility faces capacity issues due to water scarcity or water quality challenges or has unusually high operating and maintenance costs.

The determination of reasonable rates goes to the core reason why the Legislature created this Commission: to bring to bear this agency's expertise and knowledge about rates, how they are designed, the kind of price signals to be sent to customers, and the type of behavior the Commission wants to incent as a matter of public policy. In designing rates, the Commission exercises a legislative function in setting policies that reflect the changing nature of the utility industry.

The Commission finds it reasonable to separate Duplex Residential into its own customer class for revenue allocation and rate design, as this customer class' use profile is sufficiently different from other customer classes to justify its own rate classification. The Commission also finds it reasonable to use a single uniform rate for the Duplex Residential customer class. Such an approach sends appropriate price signals and will result in all customers paying an appropriate amount for the service provided. However, the Commission further finds it is reasonable to reevaluate the duplex uniform rate structure in future rate proceedings when additional customer use data will be available.

Rates

Water service rates authorized in this decision will result in an estimated net operating income of approximately $17,069,737 which provides an 8.00 percent return on the water utility net investment rate base of $213,371,712.

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

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

Some typical water bills for residential, multifamily residential, commercial, industrial, and public authority customers were computed using Schedule Mg-1R, Mg-1MF, Mg-1C, Mg-1I, Mg-1PA, and Mg-1S1 to compare existing rates with the new rates. That comparison is set forth in Appendix D.

The overall increase in annual revenues is 30.6 percent, comprised of a 52.9 percent increase in general service charges and a 98.2 percent decrease in PFP charges. A typical residential customer's bill will rise 35.9 percent. Rates have risen because of a 26.9 percent increase in gross plant investment and a 6.4 percent increase in operating expenses since MWU's last rate case in 2015. The typical bills calculated using the authorized rates are slightly below average when compared with those of similar water utilities in the state.

As requested by MWU, the authorized rates as set forth in Appendix C, Schedule F-1, provide for the direct charging of PFP costs to non-general service customers only. These rates are reasonable and just. All non-general service customers will be required to pay an appropriate amount for the service provided.

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 proposed rules were incorporated into the record by receipt of Ex.-PSC-Hanna-2 (pgs. 23-32) which incorporates the rules by reference. They are in accordance with Commission policy and the Wisconsin Administrative Code.

Public Comments

One hundred and seventy water customers submitted comments on ERF in opposition of the increase. Also, one water customer appeared at the hearing in opposition to the rate increase. They expressed concern over the magnitude of the increase and its impact on customers, particularly to those on fixed incomes. Many customers questioned MWU's current deficit, management, and current practices. The Commission appreciates the customers' concern in this matter. However, the Commission finds that the revenue resulting from the authorized rates is necessary to provide for the financial needs of the utility over the long-term. The Commission further concludes that the rates as proposed by Commission staff would provide a reasonable and nondiscriminatory recovery of the revenue requirement.

Items from Previous Rate Case (Docket 3280-WR-113)

In the last MWU rate case (Docket 3280-WR-113), Order Point No. 7 stated "After implementation of the rate structure, MWU shall evaluate the effect of the new rates on consumer behavior and make further adjustments to the cost-of-service model and rate structure in its next rate case." As described in Direct-MWU-Granum-15-16, MWU analyzed several years' of data on demand patterns for each customer class and updated the demand factors in the COS accordingly. MWU also indicated that additional information from future years is necessary to determine whether or not the new rate structure is effective or needs to be adjusted based on customer water use patterns.

In the last MWU rate case (Docket 3280-WR-113), Order Point No. 6 stated "MWU shall track the actual costs related to installing, maintaining, and reading non-standard meters for customers who elect Option 1 and Option 2 and provide a summary of the information as part of the utility's next rate case application." MWU filed an Excel spreadsheet to docket 3280-WR-114 on January 31, 2018, named Support for Non-Standard Meter Charges. In addition, MWU filed Ex.-MWU-Piper-1, Non-Standard Meter Expenses to show additional information.

The Commission finds that both order points from MWU's previous rate case have been fulfilled.

Requirement to File Rate Case

Commission staff recommended that MWU be required to submit an application for a conventional water rate increase no later than two years from the effective date of the Final Decision in this rate proceeding.

Given the high level of concern regarding MWU's financial condition and operating and management issues, the Commission finds it reasonable to accept Commission staffs' recommendation that MWU be required to file an application for a conventional water rate case within two years of the effective date of this Final Decision.

Financial Improvement Plan

The Commission finds it reasonable for MWU to prepare and submit a plan detailing actions that will be taken to strengthen its financial condition such that the benchmark municipal rate of return will be sufficient to support its required credit metrics in the future. The plan must include options for MWU to achieve a capital structure that is balanced more reasonably between debt and equity within a reasonable period of time. MWU must identify measurable goals with expected timelines and specific benchmark financial and/or operational metrics which will be monitored by Commission staff as the plan is executed. All material components of the plan must also include a rigorous analysis of the expected operational impacts, obstacles and risks, and ratepayer impacts. Additionally, MWU shall work with Commission staff to evaluate the use of a surcharge as a future tool for improving MWU's financial situation. The plan must be submitted for Commission staff review and comment within 60 days of the effective date of the Final Decision in this rate proceeding and shall be finalized within 90 days of the effective date of the Final Decision in this rate proceeding.

Effective Date

The test year commenced on January 1, 2018. Pursuant to Wis. Stat. §§ 196.19 and 196.21, the changes in rates and tariff provisions that are authorized in this Final Decision take effect no sooner than one day after the date of service, provided that these rates and tariff provisions are filed with the Commission and the utility makes a copy of the new rates available to the public before this date by placing a copy of the new rates at locations where customer payments are accepted, on the utility's Internet site, or in a form and place that is otherwise readily accessible to the public.

Order

1. This Final Decision takes effect one day after the date of service.

2. The authorized rate increases and tariff provisions shall take effect no sooner than one day after the day the utility has: (a) filed these rates and tariff provisions with the Commission; and (b) made them available to the public at locations where customer payments are accepted, on the utility's Internet site, or in a form and place that is otherwise readily accessible to the public, pursuant to Wis. Stat. § 196.19 and Wis. Admin. Code § PSC 185.33(1)(f). If a copy of the new rates and tariff provisions is not made available to the public when they

are filed with the Commission, the new rates and tariff provisions shall take effect one day after the day they are made available to the public.

3. The rates approved in this docket shall take effect no later than 90 days from the service date of this Final Decision or as directed by the Commission or Commission staff.

4. MWU shall record $3,864,832 in construction cost overruns associated with the Well No. 31 and Patterson projects in Account 121, Nonutility Property. MWU shall record the accumulated depreciation in Account 122, Accumulated Provision for Depreciation and Amortization of Nonutility Property. Construction costs recorded in Account 121 shall not be considered utility plant for purposes of calculating MWU's PILOT.

5. For all construction projects 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 5 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.

6. MWU shall record $1,745,000 in unauthorized construction costs associated with the Well No. 31 project in Account 121, Nonutility Property. MWU shall record the accumulated depreciation in Account 122, Accumulated Provision for Depreciation and Amortization of Nonutility Property. Construction costs recorded in Account 121 shall not be considered utility plant for purposes of calculating MWU's PILOT.

7. MWU's total authorized conservation expenditure is $121,218 for the 2018 test year. This amount consists of a conservation budget of $200,740, adjusted for $79,522 in

underspent conservation funds from previous years. 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.

8. 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.

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

10. After implementation of the uniform rate structure for the Duplex Residential customer class, MWU shall evaluate the 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.

11. MWU shall file for another conventional rate case within two years from the effective date of the Final Decision in this proceeding.

12. Within 60 days from the effective date of the Final Decision in this proceeding, MWU shall file with the Commission, for Commission staff's review and comment, a plan setting forth operational and financial changes MWU will implement to improve its financial condition and address its operational and management challenges. The plan shall be finalized within 90 days from the effective date of the Final Decision in this proceeding. The plan shall include:

a. A description of actions MWU will take 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. 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. An evaluation of the use of a surcharge as a future tool for improving the Utility's financial situation.

13. MWU shall report to the Commission every three months on its status and progress in implementation of the above plan until the filing of its next rate case.

14. Jurisdiction is retained.

Dated at Madison, Wisconsin, the 1st day of November, 2018.

For the Commission:

Steffany Powell Coker
Secretary to the Commission

SPC:ajh:jac DL:01654230

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.[1] 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

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

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Madison Water Utility
Comparison of Revenue
at
Present Rates, Cost of Service and Authorized Rates

		Authorized Rates	
Customer Class	**Revenue at Present Rates**	**Revenue**	**Increase over Present Rates**
Residential	11,987,864	$18,687,455	55.9%
Multifamily Residential	5,586,745	$7,958,678	42.5%
Commercial	5,872,920	$9,613,147	63.7%
Industrial	391,655	$623,705	59.2%
Public Authority	4,263,097	$6,218,028	45.9%
Duplex	564,741	$732,716	29.7%
Fitchburg	7,366	$11,436	55.2%
Maple Bluff	89,798	$154,301	71.8%
Shorewood Hills	110,371	$149,614	35.6%
Public Fire Protection	4,414,185	$79,292	-98.2%
Private Fire Protection	566,932	$0	-100.0%
Total	33,855,676	$44,228,372	30.6%

Madison Water Utility

Authorized Water Rates and Rules

Docket 3280-WR-114

Madison Water Utility

Water Rate File Changes

<u>New or Amended</u>

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-4

<u>Deleted</u>

Upf-1
Mg-1

Public Fire Protection Service – Non-General 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.

The public fire protection costs for general service customers are incorporated into the rates on Schedule Mg-1. 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 ⅝-inch meter rate under this schedule.

Monthly Public Fire Protection Service Charges:

⅝ - inch meter:	$ 2.47

Billing: Same as Schedule Mg-1R.

Public Service Commission of Wisconsin

Madison Water Utility

General Service – Metered - Residential

Monthly Service Charges:

⅝ - inch meter:	$	11.74	3 - inch meter:	$	103.55
¾ - inch meter:	$	16.23	4 - inch meter:	$	160.40
1 - inch meter:	$	22.60	6 - inch meter:	$	292.31
1¼ - inch meter:	$	31.33	8 - inch meter:	$	449.24
1½ - inch meter:	$	39.88	10 - inch meter:	$	656.20
2 - inch meter:	$	61.71	12 - inch meter:	$	863.16

Plus Volume Charges:

First	3,000	gallons used each month:	$3.41 per 1,000 gallons
Next	3,000	gallons used each month:	$4.55 per 1,000 gallons
Next	3,000	gallons used each month:	$5.46 per 1,000 gallons
Next	5,000	gallons used each month:	$7.85 per 1,000 gallons
Over	14,000	gallons used each month:	$9.40 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.

Public Service Commission of Wisconsin

Madison Water Utility

General Service – Metered – Multifamily Residential

Monthly Service Charges:

⅝ - inch meter:	$	11.74	3 - inch meter:	$	103.55
¾ - inch meter:	$	16.23	4 - inch meter:	$	160.40
1 - inch meter:	$	22.60	6 - inch meter:	$	292.31
1¼ - inch meter:	$	31.33	8 - inch meter:	$	449.24
1½ - inch meter:	$	39.88	10 - inch meter:	$	656.20
2 - inch meter:	$	61.71	12 - inch meter:	$	863.16

Plus Volume Charges:

All water used monthly: $3.40 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 Schedule Mg-1R

Combined Metering: Same as Schedule Mg-1R

RATE FILE

Sheet No. 1 of 1
Schedule No. Mg-1S1
Amendment No. 92

Public Service Commission of Wisconsin

Madison Water Utility

General Service – Metered - Duplex

Monthly Service Charges:

⅝⅝ - inch meter:	$	11.74	3 - inch meter:	$	103.55
¾ - inch meter:	$	16.23	4 - inch meter:	$	160.40
1 - inch meter:	$	22.60	6 - inch meter:	$	292.31
1¼ - inch meter:	$	31.33	8 - inch meter:	$	449.24
1½ - inch meter:	$	39.88	10 - inch meter:	$	656.20
2 - inch meter:	$	61.71	12 - inch meter:	$	863.16

Plus Volume Charges:

All water used monthly: $3.40 per 1,000 gallons

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

Billing: Same as Schedule Mg-1R

Combined Metering: Same as Schedule Mg-1R

EFFECTIVE: =TBD=
PSCW AUTHORIZATION: 3280-WR-114

General Service – Metered - Commercial

Monthly Service Charges:

⅝ - inch meter:	$	11.74	3 - inch meter:	$	103.55
¾ - inch meter:	$	16.23	4 - inch meter:	$	160.40
1 - inch meter:	$	22.60	6 - inch meter:	$	292.31
1¼ - inch meter:	$	31.33	8 - inch meter:	$	449.24
1½ - inch meter:	$	39.88	10 - inch meter:	$	656.20
2 - inch meter:	$	61.71	12 - inch meter:	$	863.16

Plus Volume Charges:

All water used monthly: $4.15 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 Schedule Mg-1R

Combined Metering: Same as Schedule Mg-1R

Public Service Commission of Wisconsin

Madison Water Utility

General Service – Metered - Industrial

Monthly Service Charges:

⅝ - inch meter:	$	11.74	3 - inch meter:	$	103.55
¾ - inch meter:	$	16.23	4 - inch meter:	$	160.40
1 - inch meter:	$	22.60	6 - inch meter:	$	292.31
1¼ - inch meter:	$	31.33	8 - inch meter:	$	449.24
1½ - inch meter:	$	39.88	10 - inch meter:	$	656.20
2 - inch meter:	$	61.71	12 - inch meter:	$	863.16

Plus Volume Charges:

All water used monthly: $3.91 per 1,000 gallons

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

Billing: Same as Schedule Mg-1R

Combined Metering: Same as Schedule Mg-1R

Public Service Commission of Wisconsin

Madison Water Utility

General Service – Metered – Public Authority

Monthly Service Charges:

⅝ - inch meter:	$	11.74	3 - inch meter:	$	103.55
¾ - inch meter:	$	16.23	4 - inch meter:	$	160.40
1 - inch meter:	$	22.60	6 - inch meter:	$	292.31
1¼ - inch meter:	$	31.33	8 - inch meter:	$	449.24
1½ - inch meter:	$	39.88	10 - inch meter:	$	656.20
2 - inch meter:	$	61.71	12 - inch meter:	$	863.16

Plus Volume Charges:

All water used monthly: $4.67 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.

<u>Billing</u>: Same as Schedule Mg-1R

<u>Combined Metering</u>: Same as Schedule Mg-1R

RATE FILE

Sheet No. 1 of 1
Schedule No. W-1
Amendment No. 92

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: $ 292.31 per month

Volume Charge: $ 3.64 per 1,000 gallons

Billing: Same as Schedule Mg-1R

EFFECTIVE: =TBD=
PSCW AUTHORIZATION: 3280-WR-114

Wholesale Water Service

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

General Service

Service Charge: $ 1,169.24 per month

Volume Charge: $ 3.38 per 1,000 gallons

Billing: Same as Schedule Mg-1R

RATE FILE

Sheet No. 1 of 1
Schedule No. W-3
Amendment No. 92

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: $ 1,326.17 per month

Volume Charge: $ 1.91 per 1,000 gallons

Billing: Same as Schedule Mg-1R

EFFECTIVE: =TBD=
PSCW AUTHORIZATION: 3280-WR-114

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.

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

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-1R.

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 ⅝-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.

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, 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.

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

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.

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 Amendment No. 92

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:

Size	Improvement Service Lateral	Regular Service Lateral
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

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.

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.

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.

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.

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.

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.

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.

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)

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.

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.

Water Main Extension Rule

Application

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

Location of Property to be Served

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

Methods for Installation of Mains

A. Private Contracts

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

1. The developer applies for a main extension and indicates that the mains are to be installed by private contract.

2. The Board of Public Works introduces a resolution to the Common Council whereby the Council orders the main laid and authorizes the Mayor and City Clerk to enter into a contract with the developer for the installation of the mains by private contract.

3. The developer and the City enter into a contract whereby the City agrees to provide water service and the developer agrees to install all water mains 10 inches and smaller at no cost to the City. For mains 12 inches and larger, the City agrees to pay the incremental material cost between 10 inch and the size installed. The developer further agrees to prepay all City costs of the project; to provide a performance bond, irrevocable letter of credit, or certified check for the full amount of the project to be in effect for one year after acceptance of the project; and upon acceptance of the project to turn ownership and control of the mains over to the water utility.

Water Main Extension Rule

4. The developer engages a contractor who is qualified by the Board of Public Works who installs the water mains.

5. Upon completion of the project, the water utility will require certification that all bills are paid and will then introduce a resolution to the Common Council accepting the project. One year after the acceptance, the bond, irrevocable letter of credit, or the certified check will be released.

B. Water Utility Contract with Future Assessments and Refunds

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

1. The water utility will determine the amount, based on the assessment rate as per Chapter 13.19 of the City Ordinances, which would be assessed if the entire project were to be immediately assessable.

2. The Board of Public Works introduces a resolution to the Common Council whereby the Council orders the mains to be laid and authorizes the Mayor and City Clerk to enter into a contract with the party applying for the main.

3. The City and the party applying for the main enter into a contract whereby the City agrees to install the main and the party applying for the main agrees to prepay the amount determined in B.1. The City further agrees that, after all the costs of the project are accounted for, a revised assessment rate shall be determined as per the procedure outlined in Chapter 13.19. The City further agrees that as property along the mains, which is not under the ownership of the party requesting the mains, becomes assessable, the City will assess said property in accordance with Chapter 13.19. If said property is assessed within 10 years of the date of acceptance of the project, the assessments shall be returned to the party requesting the main. If the property is assessed after that date, the water utility shall retain the assessments.

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

Water Main Extension Rule

C. Water Utility Contract with Assessments

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

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

SEE MADISON GENERAL ORDINANCE 13.19

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 Proposed Rates

Customer Class	Meter Size (Inches)	Monthly Volume (1,000 gallons)	Monthly Bill at Old Rates	Monthly Bill at New Rates	Monthly Percentage Change
Residential	5/8	3	$16.25	$21.97	35.2%
Residential	5/8	4	$19.51	$26.52	35.9%
Residential	3/4	20	$94.47	$152.14	61.0%
Residential	1	100	$510.42	$910.51	78.4%
Duplex	5/8	4	$19.51	$25.34	29.9%
Duplex	5/8	6	$26.03	$32.14	23.5%
Duplex	5/8	25	$115.10	$96.74	-16.0%
Duplex	5/8	75	$368.60	$266.74	-27.6%
Multi-Family	5/8	20	$59.73	$79.74	33.5%
Multi-Family	1	38	$121.60	$151.80	24.8%
Multi-Family	3	800	$2,286.85	$2,823.55	23.5%
Multi-Family	4	1,900	$5,368.45	$6,620.40	23.3%
Commercial	5/8	20	$61.33	$94.74	54.5%
Commercial	1	33	$111.24	$159.55	43.4%
Commercial	4	4,800	$13,292.45	$20,080.40	51.1%
Commercial	3	18,900	$50,858.85	$78,538.55	54.4%
Industrial	1	150	$397.80	$609.10	53.1%
Industrial	1	280	$722.80	$1,117.40	54.6%
Industrial	4	3,400	$8,928.45	$13,454.40	50.7%
Industrial	6	13,750	$35,148.40	$54,054.81	53.8%
Public Authority	5/8	50	$173.23	$245.24	41.6%
Public Authority	1	230	$784.10	$1,096.70	39.9%
Public Authority	4	1,200	$4,400.45	$5,764.40	31.0%
Public Authority	6	4,000	$14,013.40	$18,972.31	35.4%

Madison Water Utility
Schedule of Depreciation Rates
Effective January 1, 2018

Account Number	Class of Plant	Depr. 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%
	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%
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	UNIT
393	Stores Equipment	5.80%
394	Tools, Shop and Garage Equipment	5.80%
395	Laboratory Equipment	5.80%
396	Power Operated Equipment - Note 1	UNIT
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.