

**MADISON MUNICIPAL SERVICES CUSTOMER ASSISTANCE PROGRAM  
(Mad-CAP)  
Urban Forestry and Resource Recovery Special Charges**

*Background:*

The City's municipal services bill is made up of several service charges attributable to municipal services provided by the City's Water Utility, Sanitary Sewer Utility (including Landfill Remediation<sup>1</sup>), Stormwater Utility, and the Streets Division (the Urban Forestry and Resource Recovery Special Charges). The billing and collection for these utilities and services is performed on a monthly basis and is overseen by the Water Utility.

Affordability of the municipal service bill, in particular for low income households, is a growing concern of City policy makers, particularly as rates increase to account for increased costs and revenue needs. The Water Utility's rates are established by the Wisconsin Public Service Commission. The Storm Water and Sanitary Sewer Utility rates are established by the City Engineer, which rates go into effect upon approval by the Board of Public Works and the Common Council, although they are subject to review by the Public Service Commission.<sup>2</sup> The Urban Forestry and Resource Recovery Special Charges are established by the Common Council pursuant to Ordinance and adopted policy.<sup>3</sup>

On October 5, 2021, by RES-21-00692 (File No. [67459](#)), the Council authorized the Water Utility to include the creation of a customer assistance program (CAP) within its 2022 rate case, the goal of the proposed program being to provide financial relief to eligible customers through a means tested program in order to fulfill its commitment to make its services accessible and affordable for all customers. The Council found that the implementation of a means tested CAP was both "Prudent and Reasonable" to accomplish the Utility objectives.

Following the directive by the Council, the Water Utility proposed a CAP as part of its 2022 rate case ([3280-WR-116](#)). Attached to this memo as Exhibit 1 is more detail on the Water Utility's proposal.

On October 27, 2022, the Wisconsin Public Service Commission approved the Water Utility's creation and operation of a two-year pilot Customer Assistance Program (CAP) and a corresponding rate tariff. The Commission authorized the Water Utility to fund its share of the customer assistance program from water rate revenue. Under the PSC's final decision (PSC REF#

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<sup>1</sup> The Landfill Remediation charge is established under MGO Sec. 35.025 as a sewer utility charge, although revenue from the charge is treated separately from Sewer Utility revenue and the Landfill program has its own budget. For the purposes of this memo, this charge, which has its own line on the municipal service bill, is being treated as part of the Sewer Utility charge, notwithstanding the separate City treatment on its books.

<sup>2</sup> Under Wis. Stat. § [66.0821\(5\)\(a\)](#), the PSC may review complaints of unreasonable or unjustly discriminatory rates, rules or practices of municipal sewer or stormwater utilities.

<sup>3</sup> The Urban Forestry Special Charge was established by the creation of MGO Sec. [4.095](#) in 2014. The charge is determined pursuant to the adopted Urban Forestry Special Charge Policy (2018 update), as established by RES-18-00396 (Legislative File ID No. [51421](#)). The Resource Recovery Special Charge was established by the creation of MGO Sec. [4.097](#) in 2022. The charge is determined pursuant to the adopted Resource Recovery Special Charge Policy, as established by RES-22-00399 (Legislative File ID No. [71186](#)).

[455440](#)), an excerpt of which is attached to this memo as Exhibit 2, the Commission found that it was reasonable for rate revenue to be used to fund the Water Utility's share of this program and that this program was not unjustly discriminatory. In approving the Water Utility's Mad-CAP proposal, the PSC authorized the CAP-1 tariff for the Madison Water Utility, which tariff is attached to this memo as Exhibit 3. The CAP-1 tariff details the eligibility criteria and application process for the program. The new Water Utility rates, and the Mad-CAP program, went into effect on March 1, 2023.

*Creation of Mad-CAP, and Expansion to Other Utilities and Services:*

Consistent with the above noted directive of the Council, and in response to the PSC's decision in the Madison Water Utility's 2022 rate case and the effective date of those updated rates, the Madison Municipal Services Customer Assistance Program (Mad-CAP) has been created. Under this program, and based upon the PSC approved tariff, eligible municipal service bill recipients who earn less than 50% of the area median family income will be eligible for a \$20 or \$30 rebate on their monthly municipal services bill, with the Water Utility, Sewer Utility, Stormwater Utility, and Streets Division separately funding a portion of the monthly rebate. The cost of the monthly rebate has been apportioned to each utility and service included on the municipal service bill based upon a three-year average of their revenues. Attached to this memo as Exhibit 4 is the initial apportionment methodology which details how the \$20 and \$30 Mad-CAP rebate will be applied across the municipal service bill.

In approving the pilot program, the PSC found that it was reasonable for the Water Utility to include its costs to fund its portion of this rebate within its revenue requirement. For the same reasons expressed by the PSC, the Council determined that it is reasonable for the Sewer and Stormwater Utilities to fund their portion of this rebate from utility rates by including this charge within their respective revenue requirements.<sup>4</sup>

The portion of the Mad-CAP rebate that is attributable to the Urban Forestry and Resource Recovery Special Charges (the Streets Division portion) will not be recovered from the established rates for those services since they are special charges, and not utility fees. Rather, this portion of the rebate will be funded directly from the general fund through the operating budget.

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<sup>4</sup> See RES-23-00336, Legislative File ID No. [77264](#), in which the Council determined that "the Madison Municipal Services Customer Assistance Program is hereby extended to and incorporated into the utility rates of the Sewer Utility, the Stormwater Utility and Landfill Remediation..., the Council finding that it is reasonable to include the Utilities' respective costs to fund their share of the rebate within their respective revenue requirements".

**EXHIBIT 1**  
Information on Water Utility  
Proposal



March 18, 2022

RJ Pire, Water Policy Advisor  
Public Service Commission of Wisconsin  
Division of Water Utility Regulation and Analysis  
4822 Madison Yards Way  
Madison, WI 53705

Re: Madison Water Utility Response to Data Request-PSC-Pire-1 / 3280-WR-116

Dear Mr. Pire:

This document serves as our response to Data Request-PSC-Pire-1 dated February 28, 2022.

I want to express my sincere appreciation for the insightful questions included in your Data Request. As a matter of fact, those questions helped the Utility to think through the proposed customer assistance program (CAP) in far more detail and tie up some of the loose ends in our original proposal.

**Customer Assistance Program:**

**PSCW-RJP-1:** The Utility proposes using a metric of the entire municipal services bill as a percentage of income for eligible households, with two to three percent as a standard for financial burden. Under the Utility's proposed rates, the portion of a customer's bill attributable to the Utility would be an estimated 0.9 - 1.5 percent of income for eligible households. Please provide supporting information that demonstrates the rationale behind the Utility's determination that there is a need for a customer assistance program (CAP) based on the financial burden specifically created by the Utility's portion of the bill.

The two tier metrics mentioned in your question – a) the municipal services bill as a percentage of income for eligible households at two to three percent and b) the water bill portion of the municipal service bill that would be an estimated 0.9 to 1.5 percent of income for eligible households – primarily reflects the City of Madison policy makers' intention to reduce the *entire* municipal services bill to a point where it is a low to moderate burden on low-income households.

Rather than looking at the water portion of the bill in isolation and determining that the water bill (if considered alone) is less than 2.0 percent of the monthly income therefore no CAP is needed, or conversely determining how much the water bill would need to be reduced to bring

the entire municipal services bill down to 2.0 to 3.0 percent of monthly income, the City will ultimately pursue reducing the entire municipal services bill proportionately across all utilities so that no single utility, or set of rate payers, bears the entire cost of said program.

This strategy towards addressing municipal service bill affordability for low income customers involves reducing the water bill for these customers from 0.9 to 1.5 percent with the proposed rates, to 0.7 to 1.0 percent with the proposed rates and CAP (as shown in the response to

**PSCW-RJP-4**). Support for this proposed CAP is evidenced by the City of Madison Common Council Resolution No: RES-21-00692, File No. 67459, adopted on October 5, 2021, the relevant provisions of which read:

“...WHEREAS, the Utility desires to provide financial relief to its eligible customers by implementing a means tested CAP to fulfill its commitment to make drinking water accessible and affordable for all customers; and...

WHEREAS, the implementation of a means tested CAP would make rates more affordable for all customers from future rate increases needed to adequately fund the Utility’s CIP; and

WHEREAS, such implementation of a means tested CAP is both “Prudent and Reasonable” to accomplish the Utility’s twin objectives of increased water rates to make needed investments in the Utility’s infrastructure AND making drinking water accessible and affordable to all its customers as delayed investment in needed infrastructure replacement will ultimately cost all customer classes more money in the long run; and...

NOW THEREFORE BE IT RESOLVED BY THE WATER UTILITY BOARD OF THE MADISON WATER UTILITY that they hereby find it is in the best interest of and benefit to the Utility and its rate payers, to... implement a means tested Customer Assistance Program”

**PSCW-RJP-2:** It is Commission staff’s understanding that the proposed CAP would be funded by different municipal service providers, with the amount of assistance provided by each municipal services provider based on the proportionate size of the service provider’s budget. Please confirm this understanding, and if correct, provide information supporting the use of the Utility’s budget size as the appropriate metric to use in setting the amount of assistance provided to water utility customers.

The CAP proposal in the Utility’s water rate increase application would only apply to the Utility’s portion of the assistance that the City of Madison would be looking to provide. The total amount of customer assistance that is being proposed is a \$30 monthly rebate on the total municipal services bill to families earning 30 percent or less of the median family income, and a \$20 monthly rebate on the total municipal services bill to families earning between 30 percent and 50 percent of the median family income. Hence, to the extent that Commission staff understand that the proposed CAP goes beyond the water utility’s portion of the municipal service bill, the Commission staff’s understanding is correct – the proposed CAP would be funded by different municipal service providers.

However, the amount of assistance the customer ultimately receives will be based on the same metric and goal – keeping the entire municipal services bill as a percentage of income for eligible households at two to three percent, described in the answer to the question PSCW-RJP-1 above, while the cost sharing among the municipal service providers to fund the CAP will be based on the proportionate size of the service provider’s budget.

Thus, the Utility’s budget size is not used as the metric in setting the amount of assistance, rather it is used as the basis for cost sharing among the five municipal service providers. Table – 1 and Table – 2 included in response to PSCW-RJP-7 reflects these two aspects.

Other options were considered for determining how the CAP funding should be apportioned between the municipal service bill providers. Using set percentages (i.e., Water 25%, Sewer 25%, Stormwater 25%, Urban Forestry 25%) would not reflect the respective levels of service provided by these services. Basing the apportionment solely on the average percentage of the total bill attributable to each service would likely be an appropriate way to apportion the costs, but that method would be susceptible to yearly fluctuations based upon factors that have little to do with service levels. Instead, it was felt that basing the apportionment of program costs on an average of the annual budget for each municipal service would best capture the respective share each service’s customer should be responsible for and be the most reasonable and just method for all municipal bill recipients.

**PSCW-RJP-3:** Does the Utility have proposed language for a CAP tariff schedule? If so, please provide it.

Please see pdf named “Proposed CAP Tariff Language”.

**PSCW-RJP-4:** Ex.-MWU-Kumar-5 shows a CAP with rebate amounts that are higher than the rebates included in the Utility’s proposal. Please provide a similar chart showing the \$8 and \$12 rebates included in the Utility’s proposal.

A similar chart showing the \$8 and \$12 rebates included in the Utility’ proposal is provided in next page.

|  | Current Rates  | No Expense Depreciation | \$5M Expense Depreciation - \$2.6M Cash Adder | \$5M Expense Depreciation - \$7.3M Cash Adder |
|--|----------------|-------------------------|---|---|
| Monthly Water Bill                               | \$29.92        | \$32.48                 | \$32.33                                       | \$34.94                                       |
| Other Utility Bills                              | \$66.58        | \$66.58                 | \$66.58                                       | \$66.58                                       |
| <b>Total Utility Bills</b>                       | <b>\$96.50</b> | <b>\$99.06</b>          | <b>\$98.91</b>                                | <b>\$101.52</b>                               |
| Net Water Bill with \$8 Rebate                   | \$21.92        | \$24.48                 | \$24.33                                       | \$26.94                                       |
| Net Water Bill with \$12 Rebate                  | \$17.92        | \$20.48                 | \$20.33                                       | \$22.94                                       |
| Net Utility Bills with \$20 Rebate               | \$76.50        | \$79.06                 | \$78.91                                       | \$81.52                                       |
| Net Utility Bills with \$30 Rebate               | \$66.50        | \$69.06                 | \$68.91                                       | \$71.52                                       |
| <b>30% AMI (3 person household)</b>              |                |                         |   |   |
| Monthly Income                                   | \$2,325        | \$2,325                 | \$2,325                                       | \$2,325                                       |
| Water Bill as % of Income                        | 1.3%           | 1.4%                    | 1.4%  | 1.5%  |
| Net Water Bill as % of Income with \$8 Rebate    | 0.9%           | 1.1%                    | 1.0%  | 1.2%  |
| Net Water Bill as % of Income with \$12 Rebate   | 0.8%           | 0.9%                    | 0.9%  | 1.0%  |
| Total Utility Bill as % of Income                | 4.2%           | 4.3%                    | 4.3%  | 4.4%  |
| Net Utility Bill as % of Income with \$20 Rebate | 3.3%           | 3.4%                    | 3.4%  | 3.5%  |
| Net Utility Bill as % of Income with \$30 Rebate | 2.9%           | 3.0%                    | 3.0%  | 3.1%  |
| <b>50% AMI (3 person household)</b>              |                |                         |   |   |
| Monthly Income                                   | \$3,867        | \$3,867                 | \$3,867                                       | \$3,867                                       |
| Water Bill as % of Income                        | 0.8%           | 0.8%                    | 0.8%  | 0.9%  |
| Net Water Bill as % of Income with \$8 Rebate    | 0.6%           | 0.6%                    | 0.6%  | 0.7%  |
| Net Water Bill as % of Income with \$12 Rebate   | 0.5%           | 0.5%                    | 0.5%  | 0.6%  |
| Total Utility Bill as % of Income                | 2.5%           | 2.6%                    | 2.6%  | 2.6%  |
| Net Utility Bill as % of Income with \$20 Rebate | 2.0%           | 2.0%                    | 2.0%  | 2.1%  |
| Net Utility Bill as % of Income with \$30 Rebate | 1.7%           | 1.8%                    | 1.8%  | 1.8%  |
| <b>80% AMI (3 person household)</b>              |                |                         |   |   |
| Monthly Income                                   | \$5,996        | \$5,996                 | \$5,996                                       | \$5,996                                       |
| Water Bill as % of Income                        | 0.5%           | 0.5%                    | 0.5%  | 0.6%  |
| Net Water Bill as % of Income with \$8 Rebate    | 0.4%           | 0.4%                    | 0.4%  | 0.4%  |
| Net Water Bill as % of Income with \$12 Rebate   | 0.3%           | 0.3%                    | 0.3%  | 0.4%  |
| Total Utility Bill as % of Income                | 1.6%           | 1.7%                    | 1.6%  | 1.7%  |
| Net Utility Bill as % of Income with \$20 Rebate | 1.3%           | 1.3%                    | 1.3%  | 1.4%  |
| Net Utility Bill as % of Income with \$30 Rebate | 1.1%           | 1.2%                    | 1.1%  | 1.2%  |

**PSCW-RJP-5:** Direct-MWU-Kumar describes utility experience with a CAP in Marin County, California. Did the CAP in Marin County require regulatory approval beyond the municipal level? Were there other statutory or regulatory constraints in place that affected development of the Marin County CAP, and if yes, how did the Utility address them?

The Marin Municipal Water District CAP (Marin County CAP) did not require regulatory approval beyond the municipal level. There were other statutory constraints in place that affected the development of the Marin County CAP, namely, Proposition 218, a constitutional initiative approved by the California voters in November 1996 (Prop-218) which prohibits local governments from charging user fees that exceed the cost of providing the service. Since Marin Municipal Water District had other sources of revenue beyond the water rates paid by its customers, Marin County CAP was not subject to the provisions of Prop-218.

Although the Marin County CAP was not required to be approved by the California's Public Utilities Commission (CPUC), it is worth noting that the CPUC requires the largest privately-owned utilities in California to have low-income assistance programs.

**PSCW-RJP-6:** Has the Utility considered sources other than ratepayer funding to support the CAP? For example, did the Utility consider use of municipal funding?

The Utility has considered sources of funding for the CAP other than ratepayer funding. The CAP could be funded directly by the City of Madison, who could provide assistance to not just the Utility's portion of the municipal service bill but the entire municipal service bill. However, the City is subject to strict levy limits. The City already taxes nearly up to its levy limit and thus has no ability to raise property taxes to fund this program. Hence, to fund the CAP from the levy the City would need to make corresponding cuts to other programs or services.

City policy makers did not support such a funding mechanism at the time this rate case was prepared and filed. Instead, City policy makers have supported having the Utility explore funding the CAP from the rate payers themselves, which would provide a consistent funding source for this program. The Utility and City policy makers did discuss looking for third party funding sources for the CAP. Unfortunately, there is no outside source of funding that the Utility or the City of Madison was aware of that could be used to adequately fund this program.

**PSCW-RJP-7:** As stated in Mr. Kumar's testimony, the City of Madison has considered funding CAPs for other municipal services. Please explain how this consideration relates to the Utility's current proposal.

Municipal service bill affordability is about more than just the Water Utility's portion of the bill. The City's municipal service bill is made up of charges attributable to the City's water utility, sanitary sewer utility (including landfill remediation), stormwater utility, and urban forestry program. Hence, the proposed CAP for the Utility is part of a larger program envisaged by the City of Madison (City) to provide relief to low income families on their entire municipal services bill, not just the Utility's portion of the bill. The average residential municipal services bill is currently \$1,158 per year or \$96.50 per month, of which the water bill is \$29.92 for an average household using 4,000 gallons per month.

The Utility's CAP proposal, both the rebate amount and the funding mechanism, would only raise sufficient revenue to pay for the Water Utility's share of the CAP. It would not be appropriate, or reasonable, for Water Utility rate payers to subsidize the entire CAP rebate. Nor would the CAP being proposed in this rate case alone be sufficient to actually make low income customer's municipal service bills more affordable.



It will be necessary for the City to follow up PSC approval by expanding the program to the rest of the municipal service bill. Hence, if the CAP is approved by the PSC for the Utility, it is the intent of the City's sanitary and stormwater utilities, the rates of which are subject to the PSC's review, to update their own rate schedules to also fund their portion of the CAP in like manner as the Water Utility.

In addition, the Urban Forestry Special Charge would be looked at, which funding would likely have to come from the City's general fund, with more forestry services being included in the portion of that program being funded by the special charge. Ultimately, the Utility views the CAP proposal in the current rate case as critical in funding a program that will make low income customer's municipal service bills more affordable.

The City's overall strategy on the CAP is shown on the following tables. Table -1 on page 7 details the 5-year cost implications for offering a CAP rebate of \$30 per month for families earning 30 percent or less of the area median family income and \$20 per month for families earning between 30 and 50 percent of the area median family income. The rebates will reduce the municipal services bill to about 3 and 2 percent of the monthly income for the two groups respectively, which is the objective for the City with the proposed CAP.

The projected 5-year costs in Table – 1 are based on the following assumptions:

- a) Application penetration rate of 10, 20, 30, 40, and 50 percent in each of the first five years of implementation of the CAP
- b) Onetime administrative cost of \$5,000 in test year and a recurring administrative cost of \$5,000 annually in each of the first five years.

| <b>Table -1<br/>City of Madison CAP (Mad-CAP) / Projected 5-Year Costs<br/>(Amount in \$)</b>               |                      |                |                |                |                  |
|---|----------------------|----------------|----------------|----------------|------------------|
| <b>≤ 30% AMI</b>  | <b>Test<br/>Year</b> | <b>Year 2</b>  | <b>Year 3</b>  | <b>Year 4</b>  | <b>Year 5</b>    |
| Number of Households – Owner Occupied*  | 2,530                | 2,530          | 2,530          | 2,530          | 2,530            |
| Number of Households – Renter Occupied with Water bills in their name (see Table 3)                         | 1,562                | 1,562          | 1,562          | 1,562          | 1,562            |
| Total Eligible Households   | 4,092                | 4,092          | 4,092          | 4,092          | 4,092            |
| Estimated Percent Participating   | 10                   | 20             | 30             | 40             | 50               |
| Estimated households Participating  | 409                  | 818            | 1,228          | 1,637          | 2,046            |
| Monthly CAP amount  | 30                   | 30             | 30             | 30             | 30               |
| <b>Estimated Annual Program Cost</b>  | <b>147,312</b>       | <b>294,624</b> | <b>441,936</b> | <b>589,248</b> | <b>736,560</b>   |
| <b>&gt;30% AMI and ≤ 50% AMI</b>  |                      |                |                |                |                  |
| Number of Households – Owner Occupied*  | 3,010                | 3,010          | 3,010          | 3,010          | 3,010            |
| Number of Households – Renter Occupied with Water bills in their name (see Table 3)                         | 1,156                | 1,156          | 1,156          | 1,156          | 1,156            |
| Total Eligible Households   | 4,166                | 4,166          | 4,166          | 4,166          | 4,166            |
| Estimated Percent Participating   | 10                   | 20             | 30             | 40             | 50               |
| Estimated households Participating  | 417                  | 833            | 1,250          | 1,666          | 2,083            |
| Monthly CAP amount  | 20                   | 20             | 20             | 20             | 20               |
| <b>Estimated Annual Program Cost</b>  | <b>99,984</b>        | <b>199,968</b> | <b>299,952</b> | <b>399,936</b> | <b>499,920</b>   |
| Administrative Cost   | 10,000               | 5,000          | 5,000          | 5,000          | 5,000            |
| <b>Total Estimated Program Cost</b>   | <b>257,296</b>       | <b>499,592</b> | <b>746,888</b> | <b>994,184</b> | <b>1,241,480</b> |
| * See pdf named “Comprehensive Housing Affordability Strategy CHAS data” published by HUD – 2013-17 Average |                      |                |                |                |                  |

The interdepartmental cost allocation among the five departments whose services are billed through the common City of Madison Municipal Services Bill is shown on Table – 2. The cost allocation is based on the 5-year average operating budgets of each of the five service departments, including the Utility.

| <b>Table – 2</b>   |  |                                 |                                       |                |                |                |                  |
|--|--|---------------------------------|---------------------------------------|----------------|----------------|----------------|------------------|
| <b>City of Madison CAP (Mad-CAP) / Interdepartmental Cost Allocation Model</b> |  |                                 |                                       |                |                |                |                  |
| <b>(Amount in \$)</b>  |  |                                 |                                       |                |                |                |                  |
| <b>Department</b>  | <b>Operating Budget (5-Year Average)</b> | <b>% of Total Budget Amount</b> | <b>Inter-Departmental Allocations</b> |                |                |                |                  |
|  |  |                                 | <b>Test Year</b>                      | <b>Year 2</b>  | <b>Year 3</b>  | <b>Year 4</b>  | <b>Year 5</b>    |
| Water  | 44,733,582                               | 39.3%                           | 101,108                               | 196,321        | 293,499        | 390,677        | 487,856          |
| Sewer  | 44,135,729                               | 39.7%                           | 99,667                                | 193,524        | 289,318        | 385,112        | 480,905          |
| Forestry   | 5,558,503                                | 4.9%                            | 12,552                                | 24,373         | 36,437         | 48,501         | 60,566           |
| Stormwater   | 18,437,568                               | 16.2%                           | 41,636                                | 80,844         | 120,862        | 160,879        | 200,897          |
| Landfill   | 1,033,074                                | 0.9%                            | 2,333                                 | 4,530          | 6,772          | 9,014          | 11,256           |
| <b>TOTAL</b>   | <b>113,938,455</b>                       | <b>100%</b>                     | <b>257,296</b>                        | <b>499,592</b> | <b>746,888</b> | <b>994,184</b> | <b>1,241,480</b> |

**PSCW-RJP-8:** In light and consideration of Wis. Stat. § 66.0809, please explain the anticipated benefits, if any, of the proposed CAP in terms of utility bill collection and overall utility revenues. If the CAP is approved, does the Utility anticipate any improvement in the number of customers in arrears and/or arrears amounts? If yes, please provide an estimate, with support, for the estimated financial benefits or reduction in costs.

The anticipated benefits of the proposed CAP in terms of utility bill collection and overall utility revenues include improved utility bill collection and thus a positive impact on the overall utility cash flow. However, the Utility, at this time, does not have an estimate of the amount of anticipated improvement in the number of customers in arrears and/or arrears amount as we don't have an objective basis to come up with that estimate, either internally or from external studies conducted in the past. To the extent we know, there are no rigorous, peer-reviewed studies on the effects of CAP on shutoffs, delinquencies, or overall revenues.

One of the benefits of the proposed CAP also includes developing an understanding of the correlation of these important variables on an objective basis so that the Utility and other water providers can come up with similar estimates in the future with credible backing.

The Utility will rigorously monitor and report the estimated financial benefits and/or reduction in costs attributable to CAP and will include that information as part of the metrics the Utility would use to determine the effectiveness of the program as indicated in response to PSW-RJP-11.

**PSCW-RJP-9:** Please provide data on arrears and disconnections for residential customers for the last three years. Commission staff can provide a template to assist with the collection of relevant information at the Utility's request.

The data on arrears and disconnections for residential customers for the last three years is in excel file named "MWU Residential Arrears 2019, 2020, 2021". The data in this spreadsheet is as of 12/31 for each year. We are defining arrears as customer unpaid balances that are older than 30 days. Thirty days or less is considered current.

**PSCW-RJP-10:** The Utility is requesting the CAP as a pilot program. How long is the Utility intending to operate the pilot program? Explain the reasoning for the time period selected.

The Utility intends to operate the program as a pilot for at least two years. Since the Utility is planning to seek another rate increase in two years, the Utility expects that the pilot program would be reviewed by the Commission at that time and the CAP adjusted, if necessary.

**PSCW-RJP-11:** The Utility states it would provide reporting on the CAP. Please describe the metrics the Utility would use to determine the effectiveness of the program.

Utility's planned metrics will include the following elements:

1. Number of households participating
2. Number of households participating as a percentage of eligible households
3. Reduction in Utility arrears attributable to CAP
4. Annual administrative cost

These elements will be used by the Utility to determine the effectiveness of the CAP and also used to provide reporting on the CAP on an annual basis. The Utility is open to setting up a separate customer class to be named CAP Recipients to better track these metrics.

**PSCW-RJP-12:** To fund the CAP, the Utility has requested \$650,000, which would fund a program with 100 percent participation by estimated eligible residents in the City of Madison. How many of these residents currently pay for water service directly through a customer bill?

The number of CAP eligible residents currently paying for water service directly through a customer bill is shown in Table – 3 on page 10.

| <b>Table -3<br/>Number of Households that Directly Pay for Water Service</b>   |                      |                                      |
|--|----------------------|--------------------------------------|
|  | <b>≤ 30%<br/>AMI</b> | <b>&gt;30% AMI and ≤<br/>50% AMI</b> |
| Total Number of Households*  | 18,955               | 14,030                               |
| Percent of Tenant Occupied Households with Water Bill in Tenants' Name**   | 8.2%                 | 8.2%                                 |
| Number of Tenant Occupied Households with Water Bill in Tenants' Name  | 1,562                | 1,156                                |
| Number of Owner Occupied Households*   | 2,530                | 3,010                                |
| Total number of Households that directly pay for water service through a customer bill   | 4,092                | 4,166                                |
| * Please see pdf named "Comprehensive Housing Affordability Strategy CHAS data"  |                      |                                      |
| ** There are currently a total of 65,439 customers in the residential, duplex and multifamily classes. Of that, 5,392, or 8.2%, are tenant occupied with the utility account in the tenant's name. The same proportionality was applied to the total number of households in each of the AMI categories to come up with the estimated number of households where the Water bill is in the tenants' name. |                      |                                      |

**PSCW-RJP-13:** The Utility requested funding for a program with 100 percent participation while acknowledging that generating participation will be one of the first challenges of the program. Please provide information on how the pilot program could achieve such high levels of participation in a short timeframe and why the Utility included costs for a program with 100 percent participation in the test year. Does the Utility have an estimate of what percent of eligible families would actually participate in Year 1, Year 3, and Year 5? If so, provide these estimates.

The Utility's current estimate of what percent of eligible families that would actually participate in Test Year through Year 5 respectively is 10, 20, 30, 40 and 50%. While this is an aspirational estimate, the Utility is seriously committed to taking needed actions to accomplish this.

With the identification of the estimated levels of participation for each of the first five years, the Utility would like to amend the requested funding amount in the test year from \$650,000 to \$148,714.

As shown in Table 2, the estimated annual program cost for Water for test year and year 2 are \$101,108 and \$196,321 respectively. As the proposed pilot program is for two years (until the next rate case), the utility is requesting \$148,714 annually (the average of test year and year 2) to properly fund the program for both years. This funding amount can be readdressed in the next rate case based upon actual participation rates and the Utility's experience in implementing the program.

**PSCW-RJP-14:** The Utility did not include any costs associated with administering the CAP, stating that the Utility's current customer service operations could take on the additional administrative tasks and utilize other municipal service providers as needed. Would the Utility incur any costs from utilizing other municipal services to administer the program? Please provide an estimate of staff time and resources required to operate the CAP and describe how that time will not result in additional administrative costs for the Utility.

The CAP admittedly will result in additional administrative costs for the Utility.

The bulk of the administrative cost, at least in the initial years, will be to communicate this new program to eligible members of the community and enrolling them in the program. The remaining administrative costs relate to processing of the CAP applications, checking eligibility either directly or through sister agencies, and proper billing.

The Utility does not intend to hire new staff or outside personnel to carry out any of these administrative tasks. Instead, the Utility is planning to utilize existing and available bandwidth within the Utility's Public Information Section which comprises of full time Public Information Officer and Community Outreach Specialist. This section currently employs several communication platforms and channels and organizes community meetings to communicate the Utility's existing programs. It is the Utility's intent to use these existing personnel and communication channels to convey information about this new program to its customers. There will be incidental costs for flyers/brochures and initial advertising which is estimated at \$5,000 annually.

Similarly, the Utility's Customer Services Section is comprised of five Customer Service Representatives whose primary responsibility is to interact with customers directly either over the telephone or other means. Often times, the conversation relates to delayed or non-payment of water bills. Those conversations provide a very effective window to communicate this new program to eligible customers with minimal additional administrative costs.

The Utility does not anticipate additional billing and processing costs as the affordability component will be rolled into the existing municipal services billing and accounting programs. There may be an initial cost to integrate the CAP component into the existing billing software which is estimated to be a one-time cost of \$5,000. This one-time cost will be split among the five agencies on the Madison Municipal Services bill. It is the Utility's understanding that the Utility will not incur any cost for receiving assistance from other city agencies to administer the program.

In summary, the Utility anticipates a one-time cost of \$5,000 and an annual recurring cost of \$5,000. The costs of this program will be split among the five agencies on the Madison Municipal Services bill.

The Utility will rigorously account for all direct and incidental costs associated with this program and will include that information as part of the metrics the Utility would use to determine the effectiveness of the program as indicated in response to PSW-RJP-11.

**PSCW-RJP-15:** The Utility stated that it would require CAP participants to work with Project Home's Water Conservation Program. How will this requirement apply to customers who do not own the relevant property? How will this requirement apply to customers who have already received a toilet rebate, as it appears such a customer would not normally be eligible for the Project Home program?

The Utility would have this requirement only for owners of properties that have not already participated in Project Home or received a toilet rebate (or in other words owners of properties that already participated would be considered to have met this requirement).

Tenants would not be required to meet this requirement.

Please see pdf named "Proposed CAP Tariff Language" for further information on how we propose the CAP program to work.

**PSCW-RJP-16:** Please describe how participation in Project Home's Home Water Conservation Program is determined and monitored. Will customers be allowed a specific period of time to complete the upgrades recommended by Project Home? Explain. How are customer inquiries and complaints, if any, handled?

Project Home is a local non-profit that provides home improvement and water conservation assistance programs to low-to-moderate income residents in Dane County. When homeowners approach Project Home with a variety of needs, Project Home will determine, among other things, if they are eligible to participate in the Utility's toilet rebate program and offer help with conserving water. If the homeowner cannot afford to replace their toilet, Project Home will fund the toilet replacement and apply with the Utility for the toilet rebate. The Utility notes on the customer account that a toilet rebate has been processed and paid through Project Home.

Eligible customers at addresses that have not previously participated in either the Utility's Home Water Conservation Program or the Toilet Rebate Program will be required to participate in one or the other programs before receiving financial assistance through the Utility's CAP. For additional details, please see pdf named "Proposed CAP Tariff Language".

Customer inquiries and complaints, if any, are handled by the Utility's Customer Service Representatives. They will elevate any complaint necessary to the Customer Service Supervisor and/or to the Finance Manager.

**PSCW-RJP-17:** Please describe how customers will be notified in the event they do not participate in Project Home's Water Conservation Program and must be removed from the CAP.

As noted in response to PSCW-RJP-16, customers are not allowed to participate in CAP until they have participated in the Home Water Conservation Program or the Toilet Rebate Program. Since this requirement is a condition of the Utility's CAP, there will be no need to remove a participant from the CAP for this reason.

**PSCW-RJP-18:** Direct-MWU-Schwenn states:

MWU recognizes that some residents of Madison that would qualify for our CAP, based on annual income, do not directly paid [sic] their water bill. The bill is in the landlord's name and their rent payment covers the cost of the utilities. MWU plans on exploring ways to incorporate these residents in our CAP by working with landlords, CDA and non-profit agencies such as The Tenant Resource Center.

Are these Madison residents customers of the Utility, or is the respective landlord the Utility's customer? In these cases, how would billing for utility service interact with the proposed CAP? Does the Utility have proposed tariff language that would address this situation? If so, provide it.

The Utility's CAP, as currently designed, will only include owner occupied households and tenant occupied households where the water bill is in the tenants' name. Hence, the text referred to in Direct-MWU-Schwenn is not applicable. We have no proposed tariff language for this situation as we are not proposing including this in our initial CAP proposal.

**PSCW-RJP-19:** Will the Utility be updating the area median household income used to determine program eligibility when the Federal Department of House and Urban Development updates its standards? If yes, how frequently will program updates occur?

Yes, the Utility will be updating the area median household income used to determine program eligibility when the Federal Department of Housing and Urban Development (HUD) updates its standards. HUD typically releases its standards annually on April 1. The Utility will update the income eligibility criteria annually following the release of the HUD standards.

**PSCW-RJP-19 (20):** Is it anticipated that the Tenant Resource Center and other non-profit agencies will incur additional costs as a result of the Utility's proposed program? If yes, how will these additional costs be funded?

It is not anticipated that the Tenant Resource Center and other non-profits would incur any additional costs as a result of assisting MWU with this program. Assisting non-profits would be provided with information about the Utility's CAP so they could provide that information to their eligible clients. Any costs they incur in providing this assistance would be consistent with their stated missions and objectives.

Thank you for this opportunity to respond to your Data Request. I will be glad to provide additional information if you have other questions or need clarifications.

Sincerely,



Krishna Kumar  
General Manager, Madison Water Utility  
Tel: 608.266.4652 / Email: [kkumar@madisonwater.org](mailto:kkumar@madisonwater.org)



**EXHIBIT 2**  
Decision Excerpt

|  |
|--|
| <b>SERVICE DATE</b><br><b>Dec 29, 2022</b> |
|--|

## PUBLIC SERVICE COMMISSION OF WISCONSIN

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

3280-WR-116

Public Service Commission of Wisconsin  
RECEIVED: 12/29/2022 1:05:00 PM**FINAL DECISION**

This is the Final Decision in the Class 1 proceeding conducted by the Public Service Commission (Commission) on the application of Madison Water Utility (MWU or applicant) for approval to adjust water rates. Final overall rate changes for the test year ending December 31, 2022 are authorized, consisting of a \$8,499,036 annual rate increase, or an overall increase of 18.22 percent over present revenues, based on a return on net investment rate base of 5.40 percent.

**Introduction**

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

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

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

Docket 3280-WR-116

provided costs that totaled \$180,000 in conservation program expenditures for the test year.

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

### **Customer Assistance Program**

#### **Customer Assistance Program Background**

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

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

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

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

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

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

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

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

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

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

Commissioner Nowak dissents and writes separately (see attached).

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

### **CAP Tariff Language**

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

Commissioner Nowak dissents and writes separately (see attached).

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

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

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

**EXHIBIT 3**  
CAP-1 Tariff



**Public Service Commission of Wisconsin**

**Madison Water Utility**

**Customer Assistance Program for Low-Income Customers**

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

**A. Program Eligibility**

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

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

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

**B. Application**

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

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

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

**Public Service Commission of Wisconsin**

**Madison Water Utility**

**Customer Assistance Program for Low-Income Customers**

C. Customer Assistance Program Financial Assistance

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

Monthly Bill Credit:

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

**EXHIBIT 4**  
Apportionment Methodology

|                          | 2020          | 2021          | 2022          | 3 YEAR AVERAGE |        | \$ 20.00 | \$ 30.00 |
|--------------------------|---------------|---------------|---------------|----------------|--------|----------|----------|
| <b>WATER</b>             | 43,690,686.45 | 46,868,510.05 | 46,807,561.36 | 45,788,919.29  | 37.66% | \$ 8.00  | \$ 12.00 |
| <b>SEWER</b>             | 42,092,884.58 | 46,898,769.58 | 50,485,034.19 | 46,492,229.45  | 38.24% | \$ 7.37  | \$ 11.04 |
| <b>LANDFILL</b>          | 883,358.92    | 729,725.20    | 661,593.84    | 758,225.99     | 0.62%  | \$ 0.12  | \$ 0.18  |
| <b>STORMWATER</b>        | 19,174,453.89 | 21,299,943.63 | 22,353,380.59 | 20,942,592.70  | 17.22% | \$ 3.31  | \$ 4.97  |
| <b>URBAN FORESTRY</b>    | 4,998,945.39  | 5,564,198.05  | 5,907,915.83  | 5,490,353.09   | 4.52%  | \$ 0.87  | \$ 1.31  |
| <b>RESOURCE RECOVERY</b> | 0.00          | 0.00          | 1,058,547.26  | 2,117,094.52   | 1.74%  | \$ 0.33  | \$ 0.50  |
|                          |               |               |               |                |        |          |          |

121,589,415.04 100.00% \$ 20.00 \$ 30.00

**Note:**

RR started on 7/1/22. Need to adjust their amount to account for this.  
Doubled the 7/22-12;22 revenue and used that for the 3 yr. ave.