



MEMORANDUM

Date: February 25, 2026

To: Water Utility Board

From: January Vang, Finance & Administration Manager
Krishna Kumar, General Manager

Subject: Public Service Commission of Wisconsin (PSCW)'s Ruling on the 2025 Rate Case

RECOMMENDATION

Informational Item.

BACKGROUND

The Public Service Commission of Wisconsin (PSCW) recently provided a ruling on Madison Water Utility's (MWU) 2025 application (2025 rate case) to increase water rates (3280-WR-117). Given below is a summary of the Utility's requests and PSCW's ruling.

Rate Component	Utility's Ask	PSCW's Ruling
Expense Depreciation	\$10 Million	\$10 Million
Cash Adder	\$6,228,131	\$3,500,000
MadCAP	Sought Extension of the Program	Disallowed Continuation of the Program

Cash Adder

PSCW approved a cash adder of \$3.5 million, although Utility had requested a cash adder of \$6.2 million. The reduction in cash adder results in a slightly reduced rate of capital investments by the Utility.

Water Rate Impacts

The total increase in water revenues authorized by the PSCW is \$5,536,179, which results in an estimated overall rate increase of 9.9% over the water utility's present revenues, or an annualized rate increase of 3.3% over the three years since the last rate increase.

Given this PSCW ruling, the water charge for an average residential customer with a 5/8-inch who uses 4,000 gallons of water or less per month will increase from \$33.90 to \$38.81, or \$4.91 additional per month. This translates to an increase of approximately \$1.64 a month or 4.8% per year annualized over the three years since the last rate increase. Utility is planning to implement the new rates from May 1, 2026.

Madison Customer Assistance Program (MadCAP)

As part of the 2022 rate case, PSCW approved the Madison Municipal Services Customer Assistance Program (MadCAP) on a 2-year pilot basis. It offers monthly bill credits to low-income customers. Eligible households can receive a monthly bill credit of up to \$20 or \$30 (based on income).

As part of the 2025 rate case, Utility had sought extension of MadCAP, but unfortunately PSCW decided not to allow continuation of the financial assistance program. Per the PSCW recent ruling on the 2025 rate case, Utility will need to stop accepting new applications for the current MadCAP program from the date of the written order of the PSCW, which is expected any time now.

The City would like to continue MadCAP using non-utility revenues and re-launch the customer assistance program after March 11, 2026, pending final approval of the Common Council on March 10, 2026. Applications received between the date of the written order of the PSCW and March 11, 2026, would be processed only after March 11, 2026.

Residents who are currently enrolled in MadCAP will be unaffected by this transition and continue to receive their bill credit. As per the PSCW ruling on the 2025 rate case, the source of funding for the current enrollees will change from water revenues to non-utility revenues on August 1, 2026 (90 days from the planned date of implementation of new rates). The revisions to the MadCAP are still being finalized by the City and will be shared at the Board meeting.