

DRAFT* -- MWU PILOT Resolution --*DRAFT

WHEREAS, under Wisconsin law, municipally owned water and electric utilities are subject to a payment in lieu of local general property taxes (PILOT), while investor-owned utilities pay a gross receipt tax; and,

WHEREAS, for rate-making purposes, the Public Service Commission of Wisconsin (PSCW) makes an allowance for PILOT as a component of a utility's total revenue requirements, which means that a higher PILOT charged to a utility leads to higher rates charged to rate-payers; and,

WHEREAS, the PSCW has determined that over time, PILOT payments have become a substantial part portion of the revenue requirements for municipal water utilities, with the Madison Water Utility's payment of \$5,017,460 in 2012 representing a 16.8% of its total revenue; and,

WHEREAS, the Madison Water Utility pays to the City of Madison the maximum allowable PILOT under Wis. Admin Code ch. PSC 109.02, which amount is determined by applying the City, School District, and Technical College District mill rates for the calendar year to the Utility's gross book value for the calendar year of plant plus materials and supplies multiplied by the City's assessment ratio; and,

WHEREAS, under Wis. Stat. Sec. 66.0811(2), the Madison Water Utility's PILOT must be at least equal to the amount paid by the Utility in 1995 (\$_____), unless a lower payment is authorized by the Common Council; and,

WHEREAS, the PSCW determined during an investigation into municipal utility PILOT payments that 23% of municipal water utilities had an authorized PILOT payment lower than the statutory minimums; and,

WHEREAS, as part of the PSCW investigation into PILOT payment, the Citizens Utility Board opined that "because the PILOT level is based on total utility plant in service, the reliance on PILOT to fund non-utility municipal services could have the unintended consequence of lessening the incentive of municipal water utilities to undertake capital projects at the lowest possible costs"; and,

WHEREAS, the PILOT made to the City of Madison by the Madison Water Utility has become a significant part of customer rates, especially due to the significant investments made by the Utility in upgrading and modernizing the Utility's infrastructure over the last ten years, and has contributed to the Utility's recent rate increases; and,

WHEREAS, in addition to paying PILOT to the City of Madison, the Madison Water Utility is also charged by the City for certain services provided by City agencies to the Utility, such as human resources services, information technology services, real estate services, attorney services, and the like, which charges totaling \$756,234 in 2012 amounted to 5.5% of the Utility's operating expenses in that year.

NOW THEREFORE BE IT RESOLVED, that the Common Council hereby finds that the Madison Water Utility's PILOT has become a significant part of water utility bills and the Utility and its rate payers are entitled to relief from the current PILOT levels which are set at the maximum allowable amount.

NOW THEREFORE BE IT FURTHER RESOLVED, that the PILOT charged to the Madison Water Utility should be set at an amount equal to 15% of the Utility's gross revenue.

NOW THEREFORE BE IT FURTHER RESOLVED, that all additional services provided by other City agencies to the Utility shall be considered paid for by the Utility through the PILOT payment.

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