Legislation Details (With Text)

File #:	76396	**Version:**	1	**Name:**	Amending the 2023 Water Utility Capital budget to include $2,875,000 of additional budget authority between various major water main projects and programs in accordance with Rate File Authorization: 3280-WR-116, issued by the PSC of Wisconsin.
Type:	Resolution			**Status:**	Passed
File created:	2/22/2023			**In control:**	Water Utility
On agenda:	3/21/2023			**Final action:**	3/21/2023
Enactment date:	3/24/2023			**Enactment #:**	RES-23-00260

Title: Amending the 2023 Water Utility Capital budget to include $2,875,000 of additional budget authority between various major water main projects and programs in accordance with Rate File Authorization: 3280-WR-116, issued by the Public Service Commission of Wisconsin (PSC REF#: 455440). (Various Alder Districts/Citywide).

Sponsors: Nasra Wehelie

Indexes:

Code sections:

Attachments: 1. Memo - MWU 23 Capital Budget Amendment - Expense Depreciation WMs - 02.2023.pdf

Date	Ver.	Action By	Action	Result
3/21/2023	1	COMMON COUNCIL	Adopt - 15 Votes Required	Pass
3/13/2023	1	FINANCE COMMITTEE	RECOMMEND TO COUNCIL TO ADOPT (15 VOTES REQUIRED) - REPORT OF OFFICER	Pass
3/7/2023	1	COMMON COUNCIL	Refer	Pass
2/22/2023	1	Water Utility	Referred for Introduction	

Fiscal Note

The proposed resolution amends the 2023 Water Utility Capital Budget by authorizing an additional $2,875,000 of budget authority across various major water main projects and pipeline program budgets in accordance with Madison Water Utility's 2022 Rate File Authorization: 3280-WR-116, issued by the Public Service Commission (PSC) of Wisconsin. The additional budget authority adjusts existing active project budgets to reflect current revisions to the project scopes, estimates, or schedules since the adoption of the 2023 Water Utility Capital budget.

The PSC approved $5 million of funding for the Utility's main replacement program per year. These rates will be effective March 1, 2023 so the Utility will receive $4,166,667 of cash funding for main projects in 2023.

Project costs will be funded through the existing Utility Construction Fund balance and/or Utility cash reserves which in turn will be replenished by the additional revenue received from the rate case approval. No increase in Utility debt obligations or new Utility borrowing is anticipated as a result of these new projects and/or the proposed additional budget authority. The Utility's estimated Construction fund balance at December 31, 2022 is $6.6 million and the estimated unrestricted cash balance is $5.8 million.

The 2023 Water Utility adopted Capital budget will be amended to reflect the following additions:

13924 - Hammersley Road Resurfacing w/Utilities Phase 2:	$	780,000
11127 - Atwood Avenue (Fair Oaks to Cottage Grove):		310,000
11168 - University Ave (Shorewood to University Bay):		80,000
13893 - Treetops/Feather Edge Drive (new street):		220,000
14082 - Lake Mendota Dr Phase 2:		195,000
13170 - Davies St & Dempsey Rd Reconstruction:		115,000
13810 - Ohmeda Dr (new street):		235,000
14164 - WATER MAIN REHAB PIPE LINING 2023 (new Fish Hatchery Rd project):		625,000
14160 - WATER MAINS REPLACE PVMT MGT 2023:		125,000
14165 - WM REPLACE RECONSTRUCT STREET 2023:		125,000
13925 - Bus Rapid Transit (Main Project/Contract):		65,000
12777 - Bus Rapid Transit (Early Works): Transfer: $65,000 to 13925-86		-
TOTAL BUDGET ADDITION:	**$**	**2,875,000**

Title
Amending the 2023 Water Utility Capital budget to include $2,875,000 of additional budget authority between various major water main projects and programs in accordance with Rate File Authorization: 3280-WR-116, issued by the Public Service Commission of Wisconsin (PSC REF#: 455440). (Various Alder Districts/Citywide).

Body
WHEREAS, Madison Water Utility is facing the challenge of managing aging water mains that need replacement, which traditionally had been funded through general obligation debt or internally generated funds, which contributed to recent Utility financial challenges; and

WHEREAS, To address this issue, as part of its 2021 Rate File Application to the Public Service Commission of Wisconsin, the Utility proposed to implement a new funding method, expense depreciation, to cash-finance portions of the recurring water main replacement programs in order to reduce long-term costs and rates for customers; and

WHEREAS, Expense depreciation financing will allow the Utility to immediately recover/depreciate applicable water main replacement expenses instead of capitalizing assets; and

WHEREAS, The proposed expense depreciation model for Utility water main replacements has been approved by the Public Service Commission of Wisconsin, as it provides a reasonable alternative to debt financing, promotes a stable capital structure for the Utility, and will result in savings for customers over the long term. The decision is consistent with similar cases for other water utilities, such as Marshfield Utilities, Janesville Water Utility, and Fort Atkinson Water Utility; and

WHEREAS, On December 29, 2022, Madison Water Utility was issued Rate File Authorization: 3280-WR-116, by the Public Service Commission of Wisconsin (PSC REF#: 455440 <https://apps.psc.wi.gov/ERF/ERFview/viewdoc.aspx?docid=455440>); and

WHEREAS, the 2022 Rate File Authorization includes new expense depreciation funds, initially established at $5 million annually, to be prorated upon implementation of the new rates, anticipated to be effective in March 2023; and

WHEREAS, The initial 2022 expense depreciation allocation is expected to fund approximately 3.5 miles of main replacement annually, with replacement costs beyond the expense depreciation allocation, including non-

replacement related project costs, remaining under the current age-life methods of depreciation; and

WHEREAS, The Public Service Commission of Wisconsin has ordered Madison Water Utility to implement a budget amendment to the Utility's 2023 Capital Budget to incorporate the newly authorized expense depreciation funds for eligible water main replacement projects, including associated service lateral and hydrant costs for these projects. This budget amendment is required to be done within 90-days of the Rate Authorization issued on December 29, 2022, which is March 29, 2023; and

NOW, THEREFORE, BE IT RESOLVED that the 2023 Water Utility Capital budget is hereby amended to authorize an additional $2,875,000 of budget authority, which is required to implement the 2023 expense depreciation funds for eligible water main replacement programs, in accordance with 2022 Rate File Authorization: 3280-WR-116, as described herein.

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