



Legislation Text

File #: 67459, **Version:** 1

Fiscal Note

The proposed resolution authorizes the General Manager of Madison Water Utility (the Utility) to file for a conventional rate case with the Public Service Commission of Wisconsin (PSCW) for test year 2022; no fiscal impacts for FY 2021.

Title

Authorizing the General Manager to file, on behalf of the Utility, a conventional rate case with the PSCW for the test year 2022 that includes accelerated depreciation of water mains (expense depreciation) and a means tested Customer Assistance Program (CAP).

Body

WHEREAS, the Utility's current rates are not adequate to support its long-term Capital Improvement Program (CIP), specifically the water main replacement program; and

WHEREAS, the Utility is committed to maintaining at least the current level of funding for the water main replacement program; and

WHEREAS, the Utility has an outstanding total debt obligation of \$245M as of August 31, 2021 and an annual debt service payment of \$18.3M for 2021, which is higher than the Utility's current Operations and Maintenance Expenditures and hence desires to limit further borrowing; and

WHEREAS, the PSCW will generally allow 1.3% depreciation on water mains which amounts to \$1.8M of annual depreciation for the Utility; and

WHEREAS, the Utility can strengthen its short and long-term financial position by seeking PSCW approval to generate an additional \$5M of depreciation in 'Expense Depreciation' to invest in the water main replacement program; and

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 Utility will use the Federal Department of Housing & Urban Development (FDHUD) income standards for Madison to determine eligibility for the CAP; and

WHEREAS, the Utility anticipates an estimated annual cost of approximately \$650,000 to fund the CAP; 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

WHEREAS, the Utility has retained the independent contractor services of Trilogy Consulting, LLC, to assist

with the development of the Utility's long- range financial plan to strengthen its financial position; and

WHEREAS, Trilogy Consulting, LLC, critically examined the Utility's water consumption trends, cash flows, operating and maintenance expenses, infrastructure needs, debt burden, operating and capital ratios and reserves, etc., to develop three long-range financial plan scenarios; and

WHEREAS, the Water Utility Board (Board) reviewed the Utilities' finances; and

WHEREAS, as part of the Board review, Utility staff and Trilogy Consulting, LLC, provided to the Board an overview of the Utility's long-range financial plans and the means tested CAP and various options for the means tested CAP; and

WHEREAS, the Utility can only effectuate these two changes by filing for a conventional rate case with the PSCW; 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 cash finance the water main replacement program and implement a means tested Customer Assistance Program and, therefore, hereby authorize the General Manager to file, on behalf of the Utility, a conventional rate case with the PSCW for the test year 2022 that includes accelerated depreciation of water mains and a means tested Customer Assistance Program; and

BE IT FURTHER RESOLVED that the General Manager and Finance Manager of the Utility and interested Water Utility Board members are authorized to provide individual testimonials to the PSCW; and

BE IT FURTHER RESOLVED that the General Manager is hereby authorized to take whatever other actions or to make whatever other changes that may be necessary to effectuate this conventional rate case and intent of this Resolution.