



Legislation Text

File #: 85165, **Version:** 1

.FISCAL NOTE

The proposed resolution authorizes the General Manager of the Madison Water Utility to file for a conventional rate case with the Public Service Commission of Wisconsin for test year 2025; no fiscal impacts for FY 2024.

.TITLE

Authorizing the General Manager to file, on behalf of the Madison Water Utility, a conventional rate case with the WI Public Service Commission for the test year 2025.

.BODY

WHEREAS, the Madison Water Utility (the Utility) is a municipal public utility, with the Utility's rates subject to the oversight and approval of the Public Service Commission of Wisconsin (PSCW); and

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

WHEREAS, the Utility is committed to maintaining the PSCW recommended level of funding for the water main replacement program; and

WHEREAS, the Utility has an outstanding debt of \$166M and a projected annual debt service payment of \$18.9M for 2025, which is almost as much as 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 expense on the original cost of existing water mains, which amounts to \$2.0M per year; and the PSCW would also like the Utility to replace water mains up to 1% of the existing water mains per year at an estimated cost of \$12.5M; and

WHEREAS, to reduce the gap, PSCW allowed the Utility to generate an additional \$5M of depreciation in the 2022 rate case; and

WHEREAS, the Utility is seeking PSCW approval for expense depreciation of an additional \$5M for a total of \$10M in the 2025 rate case, which would be sufficient to replace water mains up to 0.8% of the existing water mains per years; and

WHEREAS this will preempt the Utility from incurring more debt and strengthen its short and long-term financial position; and

WHEREAS, as part of the 2022 rate case, PSCW approved the Madison Municipal Services Customer Assistance Program (MadCAP) on a 2-year pilot basis. Under MadCAP, 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 bill. The Utility desires to continue providing financial relief to eligible customers through MadCAP to fulfill its commitment to make drinking water both accessible and affordable for all customers; and

WHEREAS, the continuation of MadCAP 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, a critical measure of success for MadCAP is a significant level of participation by eligible households and without such participation, the program will not meet its stated goals: and

WHEREAS, the Utility was able to enroll only 328 households or 4.0% of the estimated eligible households in the program within the first 16.5 months of program launch due to significant barriers to entry caused by participate inability to participate in the Utility's conservation program or due to challenges posed in meeting the current qualifying income limits; and

WHEREAS, the Utility desires to mitigate these barriers to entry and to reduce both the administrative burden (on the eligible applicant) and the administrative cost (to the Utility) and has taken the following measures:

- 1) A modified application process for any household with less than 4 persons who has a municipal services bill in their name and is currently a FoodShare (WI-SNAP) member to receive MadCAP benefits at \$20 per month since they meet the current MadCAP income thresholds. Such households will have to confirm the possession of valid FoodShare Eligibility Card (WI QUEST Card) and not required to provide additional income documentation.
- 2) Collaborated with the WI Department of Health Services (DHS) to
 - a. Send mailings to FoodShare members living within the City of Madison inviting them to participate in the program.
 - b. Explore if it is allowable for DHS to share FoodShare eligibility status data with the Utility, as well as what a process would look like for safely transmitting the data to the Utility with the goal of qualifying FoodShare members for MadCAP automatically. According to Professor Manny Teodoro, UW-Madison, "It's a magnificently simple affordability strategy that's easy on customer and utility alike. That kind of seamless, frictionless process maintains citizens' dignity, and is the gold standard of good public administration"; and

WEREAS, the Utility desires to seek PSCW approval for modifications to MadCAP in the 2025 rate case to streamline the income verification process by:

- a. Matching or exceeding the qualifying income levels to that of the FoodShare limits.
- b. Combining the existing two income thresholds (30% AMI and 50% AMI) into one group with a uniform monthly credit of \$30 on the City of Madison Municipal Services Bill (with Utility's share at \$12)
- c. Modifying the need to participate in the Utility's conservation program from a pre-enrollment condition to a post-enrollment follow up by the Utility, which would include providing water audit kits and detailed instructions for taking advantage of the services provided by Project Home and Focus on Energy; 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 and the 2025 Rate Case proposal which incorporates the elements outlined above; 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 and assisted Utility staff in developing the 2025 Rate Case proposal; and

WHEREAS, the Water Utility Board (Board) reviewed and concurs that the 2025 Rate Case proposal be filed as a conventional rate case with the PSCW.

NOW THEREFORE BE IT RESOLVED BY THE CITY OF MADISON COMMON COUNCIL that it is in the best interest of and benefit to the Utility and its ratepayers to continue cash financing the water main replacement program and implementing MadCAP with the recommended modifications 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 2025; and

BE IT FURTHER RESOLVED that the General Manager and Finance and Administration Manager of the Utility, along with the City Attorney, are authorized to provide individual testimonials and to take other actions or to make changes that may be necessary to submit the conventional rate case to the PSCW.