

# Overview of Public Fire Protection (PFP) charge

The PFP charge recovers the cost of providing water for fighting fires and the extra capacity built into the system that is necessary to rapidly deliver a large volume of water to a fire anywhere within the municipality's water service area. These costs include a portion of the wells, pumps, storage facilities, water mains, hydrants and an estimated quantity of water used for this purpose.

## Options for Recovering Fire Protection Costs

The municipality has three options for recovering the PFP charge.

1. Charges for PFP can be included on the water bills of utility customers (and non-customers) as allowed by Wis. Stat. § 196.03(3)(b). This method is referred to as a direct charge. Advantages to this method are that it does not increase property taxes, tax exempt water customers contribute to the system, and charges do not count against the municipality's levy limit. Disadvantages include the fact that the PFP charge cannot be deducted on individuals' income taxes, and the amount of the charge to a particular customer is not strictly related to the benefit received.
2. The municipality can pay the PFP charge and recover it through property taxes. This is referred to as a municipal charge. Advantages of this method are that the water bill is smaller, the PFP is deductible on individual income taxes, and all properties except those that are tax exempt pay for the PFP. While the charge is paid proportionate to benefits received, the PFP charge counts towards the municipality's levy limit.
3. The municipality can elect to pay a portion of the PFP charge with the balance being made up through direct charges to customers.

Learn more about public fire protection charge options: [PSC's Public Fire Protection Study](#)

## Direct PFP Charge Calculation

The PSC has approved eight methods for calculating direct charges for PFP. The four most commonly used methods are the equivalent meters method (based on ratios of meter size), the equivalent services method (based on ratios of meter size, but using different ratios), property values method (based on property value), and square feet of improvements method (based on square feet of improvements). The remaining four preapproved methods are the Madison method, the Alliant (WP&L)

method, the fire calls method, and the actual method. These methods are complex and rarely used and some have fallen completely into disuse.

Utilities may propose alternative methods for calculating direct charges subject to Commission review. Please note that Wisconsin Stat. § 196.03(3)(b)2 does not apply to property owned by the state. The exclusive mechanism for recovery of charges for PFP from the state is through Wis. Stat. § 70.119.

## **Process for Changing the Manner or Method of PFP Recovery**

### **Part of Conventional Rate Case**

A utility may request changes to its PFP charge as part of a conventional rate case proceeding under a WR docket. This option is preferred, as it allows Commission staff to review the method for calculating PFP charges, determine the total amount of the PFP charge, and analyze all related details within the context of a cost of service study and rate design.

### **Outside of Conventional Rate Case**

Alternatively, a utility may request changes to PFP charges outside a conventional rate case proceeding. Under this alternative process, the Commission opens a PFP docket. A hearing is required whenever direct PFP charges are established or revised. A utility choosing to make revisions to its PFP charge outside a conventional rate case can find additional information at:

- [Application - Changing Method of Cost Recovery for PFP Charge Outside of a Conventional Water Rate Case](#)

### **Required Docket Exhibit - Resolution**

A utility that requests a change to its method of recovery for PFP from a municipal charge to a direct charge, or a combination of municipal and direct charge, must file with the Commission a resolution from the municipality supporting the change. This resolution will be filed as an exhibit as part of the utility's WR or PFP docket.

- [Example PFP Resolutions](#)