

Water Systems

800 Hoffmann Drive • P.O. Box 477 • Watertown WI 53094-0477
WASTEWATER (920) 262-4085 • WATER (920) 262-4075

To: Chairman Arnett and members of the Public Works Commission
From: Peter Hartz – Water Systems Manager

July 2, 2025

Re: July 08, 2025, Public Works Commission agenda item

Water Systems:

Review and take possible action Approve new water rates as recommended by the Wisconsin Public Service Commission (PSC) referenced in rate case docket 6230-WR-110; a final overall rate change of 15.28% over current rates.

Background:

- May 28, 2025, Final decision by PSC, authorized rate change of 15.28% over current rates. (attached)
- June 24, 2025, this commission reviewed and discussed water rates, taking no action and looking for more information regarding options on setting new rates.
- Follow-up from June 24th
 - Staff reached out and confirmed this commission does not have to approve the new rates as presented. The only option is to deny the increase, resulting in no change to the rates. Splitting the proposed increase in ½ is not an option, it's either what PSC proposed or nothing. If doing nothing (zero increase), we would need to start a new conventional rate case and begin the process again, and would use the most recent financials, that would be a 'test year 2026'. That could change the recommended rate increase, with no guarantees of a lower increase to rates being recommended by the Public Service Commission of Wisconsin.
 - Not approving the water rate increase does not affect the SDWL as the water utility is not going to borrow money for the lead service replacement project, however the water utility will be using money from reserves to replace the public side lead services; estimated to cost \$2,910,411. There is also the non-principal forgiveness portion estimated to be \$1,251,973 needed to cover the homeowner loan costs. While those costs will be spread out over the 3-year project the overall balance in the water utility savings and reserves will be different and as such if/when the conventional rate case is redone the financials will not be the same as used for this rate case, it's unknown at this time what the overall rate of return might be in 'test year 2026'.

Budget goal: Aligns with investments and infrastructure planning.

Financial Impact: Increase in water revenue estimated to be \$803,853. The water portion of the utility bill would increase on August 2, 2025; the meter reading date. Billing cycle 2 begins on August 2, billing cycle 1 begins on August 15, but would be prorated back to the same date of August 2, 2025.

Recommendation: Approve new water rates as recommended by the Wisconsin Public Service Commission referenced in rate case docket 6230-WR-110; a final overall rate change of 15.28% over current rates.

Sincerely,

Peter Hartz
Water Systems Manager