



---

For the Village Board  
April 12, 2022

---

PSC Water Rate Case

---



JOHNSON BLOCK  
CPAs

*Prepared by:*  
*Johnson Block and Company, Inc.*  
*Certified Public Accountants*

---

# VILLAGE OF RIDGEWAY

## Rate Case Application

- Municipal water rates are regulated by the Public Service Commission (PSC) of Wisconsin. Changes to water rates must go through the PSC.
- Current rates are based on a conventional rate case from 1996. The following changes in operations have occurred since 1996:
  - 155% increase in gross water plant assets - mains, laterals, hydrants
  - 162% increase in operating expenses
  - Experiencing negative rates of return
  - With current rates, 2022 is projected to have a loss of \$33,258
- **Ratemaking goals**
  - Rates should cover increased operating expenses since the last rate case, including costs to repaint the tower.
  - Rate order is required to close on a low-interest Safe Drinking Water Fund Loan in 2022 and to receive the full loan requested in the application.
- **Affordability**
  - The benchmark rate of return is 4.9% (30-year muni bond rate plus 2.00%)
  - Lowered to 3.4% out of concern for customers on fixed income.

# VILLAGE OF RIDGEWAY

## Rate Case Application, Continued

- **Inputs**
  - Usage stats
  - Historical and projected financial data
    - Revenues based on current rates
    - Expenses and debt
    - For purposes of rate recovery, tower painting costs were spread over 25 years at ~\$14,000 per year
    - Investments in the water plant
  
- **Revenue requirement approval**
  - PSC auditors reviewed the application to determine that revenue requested in the application is needed
  - The PSC required the Utility to correct and resubmit an annual report. This was done April 5.
  
- **Cost-of-service and proposed rates**
  - A PSC rate analyst designed rates based on the revenue requirement

# VILLAGE OF RIDGEWAY

## Proposed Rates

- **Additional annual revenue requirement \$87,056**
  - General customers would provide \$44,246
  - Public fire protection would provide \$42,810
  - Overall rate increase of 60.25%
  - 53.26% increase for general customers
  - 69.71% increase for public fire protection
  
- **Increase for typical customer (3,000 gallons/month)**
  - Current \$22.18
  - Proposed \$34.28
  - See last page for additional comparisons
  
- **Increase for Public Fire Protection**
  - Current \$61,410
  - Proposed \$104,220 annually
  - Public fire protection is a municipal charge paid by the general budget

# VILLAGE OF RIDGEWAY

## Comments

- **Next steps**
  - Public notice published before the hearing
  - Hearing is May 4 at 10:00 a.m. Hailey and I will attend.
  - Effective date of new rates - align with billing cycle
  - Provide the rate order to DOA and DNR
  - Implement on or after the effective date
  
- **Considerations**
  - The revenue requirement would have been \$25,000 more using the benchmark rate of return.
  - The benchmark was already low because bond interest rates were low
  - Recommend that you continue to use the simplified rate case process to obtain inflationary increases
  - Within 5-years of this rate case, you can change the method of collecting the Public Fire Protection charge outside a conventional rate case. Can change from a municipal charge to a direct charge or combination muni/direct charge.
  
- **Other matters**
  - We received full and complete cooperation from Hailey, Jeff, engineers and the PSC

**Village of Ridgeway Municipal Water Utility  
Customer Water Bill Comparison at Present and Proposed Rates**

Customer Type	Meter Size	Volume (1000 Gallons)	<u>Monthly</u>		Percent Change
			Bills at Old Rates	Bills at New Rates	
Small Residential	5/8"	2	\$ 19.14	\$ 28.52	49.01%
Average Residential	5/8"	3	\$ 22.18	\$ 34.28	54.55%
Residential	5/8"	6	\$ 31.30	\$ 51.56	64.73%
Residential	5/8"	9	\$ 40.42	\$ 68.84	70.31%
Residential	5/8"	14	\$ 54.42	\$ 93.28	71.41%
Large Residential	5/8"	19	\$ 68.12	\$ 116.63	71.21%
Large Residential	5/8"	25	\$ 84.56	\$ 144.65	71.06%
Multifamily Residential	1"	13	\$ 56.90	\$ 95.61	68.03%
Multifamily Residential	1 1/2"	37	\$ 136.81	\$ 222.33	62.52%
Commercial	5/8"	2	\$ 19.14	\$ 28.52	49.01%
Commercial	5/8"	3	\$ 22.18	\$ 34.28	54.55%
Commercial	5/8"	4	\$ 25.22	\$ 40.04	58.76%
Commercial	5/8"	11	\$ 46.20	\$ 79.27	71.58%
Public Authority	5/8"	4	\$ 25.22	\$ 40.04	58.76%
Public Authority	5/8"	17	\$ 62.64	\$ 107.29	71.28%
Public Authority	2"	2	\$ 49.13	\$ 61.52	25.22%
Public Authority	2"	15	\$ 87.15	\$ 130.95	50.26%