

LRB-FISCAL REVIEW SECTION ANALYSIS

NOVEMBER 13, 2001 AGENDA
UTILITIES & LICENSES COMMITTEE

ITEM 3, FILE 010908
Emma J. Stamps

File #010908 is a resolution granting permission to Wisconsin Gas Water Services to serve the Village of Thiensville, and clarifying certain language in the original contract. (Water Works)

Background – Sale of Water to New Areas

1. In 1991, the Department of Public Works hired a consultant firm (Peter McAvoy & Associates), specializing in environmental/resource management, to study changes governing water use and to develop a policy framework to guide water supply decisions in the future. Included in the report were recommended guidelines (expected benefits and costs of services, purpose of services, etc.) to be used to determine the potential impact of expansions to the city's water distribution system or service area to accommodate requests for increased water supply or new services.
2. In November 1991, the Common Council adopted File 911460 that contained the consultant report, which included its recommendations for guiding the City's water supply decisions in the future, by a 14-0 vote. Two Council members abstained from this vote.
3. In April 1998, the Common Council adopted File 971877, a resolution authorizing City officials to negotiate a water service agreement with Wisconsin Gas Company ("WGC") for water services to a portion of Mequon.
4. In September 1998, Alderman Murphy sponsored a resolution, File 980871, establishing guidelines and criteria for the sale of water to other communities. However, on October 13, 1998, the Utilities and Licenses Committee deferred action on that resolution by a 4-1 vote. File 980871 was finally approved by the Common Council on April 20, 1999, by a 17-0 vote.
5. On October 30, 1998, the Council adopted File 980692, by a 10-5 vote (two members were excused). File 980692 approved an agreement that will allow for the sale of water to the WGC for wholesale water services to a portion of the City of Mequon. The term of the agreement is five years. The agreement includes a provision that specifies that water may not be eventually distributed to more than 20% of the parcels in the served area that are currently underdeveloped (1200 parcels x 20% = 240). The Water Works expects to generate \$35,000 annually in new revenues from this agreement.

Discussion

1. In November 1998, the City entered into a contract for the sale of water at wholesale to Wisconsin Gas Water Services ("WGWS"), formally known as Wisconsin Gas Company ("WGC") for resale in the City of Mequon. The maximum daily flow rate in the contract with WGWS is expressed as 1,500 gallons per minute. The current contract is in effect until February 9, 2004 and has a provision to renew. Either party wishing to renew the contract must provide the other with written notice to renew 12 months prior to the termination date.
2. The Wisconsin Gas Water Services, through a letter dated September 20, 2001, requests permission to include the Village of Thiensville, in its entirety spanning one square mile lies within the boundaries of the City of Mequon, in its service area.
3. The Water Works indicates that it has the capacity to provide water services to the WGWS for Village of Thiensville without jeopardizing supplies to other customers.
4. This resolution amends Article III (a) of the Contract to read "To provide adequate water service to WGC at a delivery point designated by WGC at a maximum flow rate (MFR) of 1,500 gallons per minute". According to Milwaukee Water Works, this amendment clarifies an ambiguity in the language that talks of a 'daily flow rate of 1,500 gallons per minute'. The ambiguity arises in combining a reference to a daily rate and a per minute rate in the same sentence.
5. The Contract will require a readjustment of the service area to include the Village of Thiensville.
6. The Water Works would bill WGWS directly for water sales to the Village of Thiensville. Because the Water Works does not have to meter consumption for individual consumers under the wholesale contract, it charges a lower rate for wholesale versus retail water sales. The Public Service Commission sets wholesale rates.

City of Mequon

Mequon, on the western shores of Lake Michigan, encompasses 48 square miles in southeastern Wisconsin.

Mequon is the fourth largest city in Wisconsin in land area. Most of the homes and businesses are located in the city's southern half, with the focus in the southeastern quarter. Western and northern Mequon are composed mostly of family farms, a sprinkling of houses, and a few, widely scattered new home developments.

According to the U.S. Census Bureau, Census 2000, the City of Mequon has a population of 21,823 comprising 7,861 households whereby 91.3% reside in owner-occupied housing units having an average household size of 2.79 persons.

The City of Mequon uses a water supply system as well as private wells to serve the village water needs for businesses and 8,162 housing units. Mequon Water Utility used to provide well water to the City of Mequon. The WGC purchased the utility in 1998 after receiving authority to become a water public utility. In acquiring the Mequon Water Utility, WGC agreed to provide a source of Lake Michigan water to a limited service area inside the City of Mequon municipal boundaries.

On June 8, 1999, the City of Mequon Common Council approved a franchise agreement with WGC that provides the rules and conditions for WGC extending water service within portions of Mequon. Milwaukee Water Works, the provider of water for this service, sells its water to WGWS at a wholesale rate set by the Public Service Commission. WGWS metering facilities are located at the connection to the Milwaukee Water Works water transmission network.

Village of Thiensville

The Village of Thiensville, covering one square mile, is located in the center of the City of Mequon. According to the U.S. Census Bureau, Census 2000, the Village has a population of 3,254 comprising 1,503 households whereby 67.9% reside in owner-occupied housing units having an average household size of 2.37 persons.

The Village of Thiensville has no public water supply system but uses private wells to serve the village water needs for businesses and 1,570 housing units.

The Water Works currently does not provide retail or wholesale water services to the Village of Thiensville.

Fiscal Impact

The Water Works expects to generate \$20,000 in the year 2003 if the Common Council adopts this resolution. If the entire Village were to connect to Wisconsin Gas Water Service, the revenue could approach \$40,000. A total conversion is highly questionable according to Water Works.

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