
Milwaukee Water Works Rate Case Application

December 1, 2021

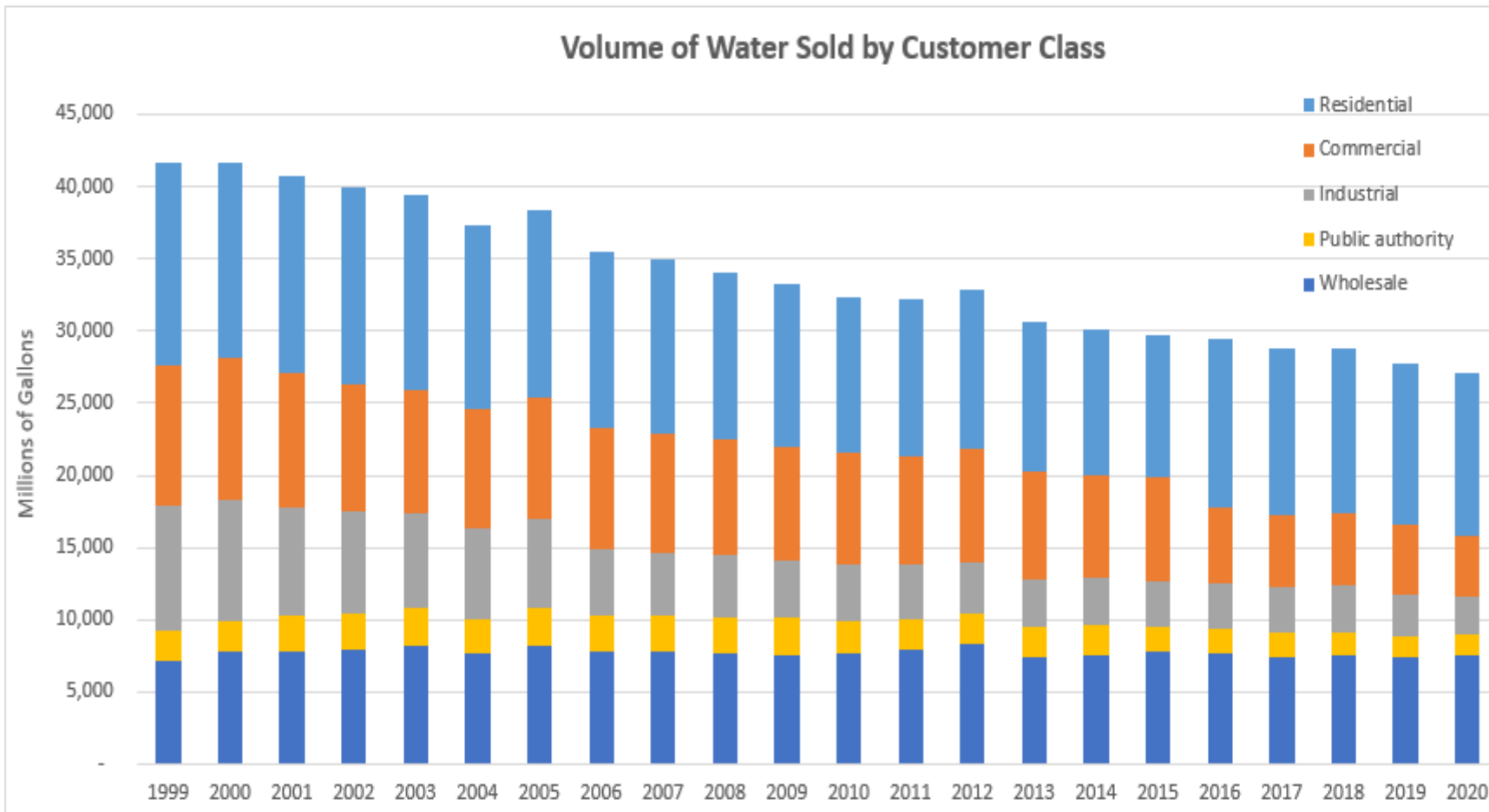
Public Works Committee

Common Council File #211205

Purpose of a Conventional Rate Case

- Financially secure water service
- Public Service Commission of Wisconsin (PSC) mandate to apply for conventional rate case
- Ensure cost of service is properly allocated
- Reduce annual main replacement goal to 14 miles
- Benefits/advantages
 - Fund current operations
 - Reduce need for drawdown on cash reserves
 - Cash-finance larger share of capital program to reduce future debt service

Purpose of a Conventional Rate Case



- Consumption is declining
- Customer class demand is shifting
- Conventional Rate Case – November 2014: 11.4%
- PSC Order to apply for Conventional Rate Case before December 31, 2020 – received extension

Conventional Rate Case Design

2014 Rate Case Outcomes

- Public Fire Protection costs were not allocated to wholesale customers if they had their own storage capacity
- Ordered to participate with wholesale customers in PSC study to evaluate PFP recovery methods for MWW and in Wisconsin generally
- Retail demand assumptions were partially modified and ordered to collect more robust dataset for further adjustment
- Ordered to work with wholesale customers to agree on methodology for additional data collection and analysis for customer demand ratios

2022 Rate Case Method

- Public Fire Protection allocation was reduced to reflect more accurate costs of fire protection to MWW
- Over a number of years, MWW worked with the wholesale customers on a new cost allocation methodology, one that would eliminate retail demand assumptions as a point of contention
- Results in a 2-step cost allocation methodology that uses actual data averaged over the most recent 4 years
- Established a joint working group to go through the underlying data and agree on the figures used in the final proposal

Revenue Requirements 2014 v. 2022

Category	2014 Rate Case	2022 Proposed
O&M Expenses	\$49,028,672	\$57,058,650
Depreciation	\$14,109,432	\$20,254,399
Taxes & PILOT	\$13,656,828	\$14,350,000
Return on Investment	\$18,068,552	\$11,024,619
Total	\$94,863,483	\$102,687,668
Net Investment Rate Base	\$336,130,621	\$440,984,775
Rate of Return on NIRB	5.38%	2.50%
Total Water Sales (100 cubic feet)	41,097,000	35,480,241

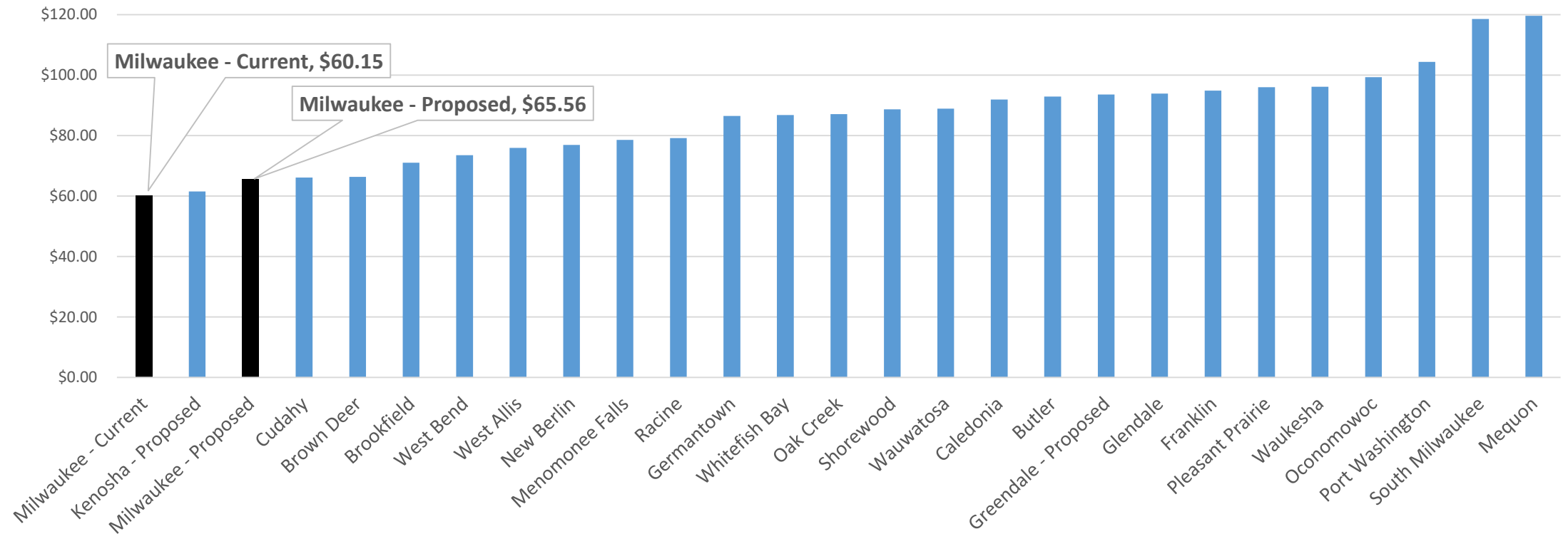
Conventional Rate Case Design

	2014 Rate Case Final Revenues	2022 Proposed Revenues	Combined with PFP	2014 Rate Case Final Revenues	2022 Proposed Revenues
Retail	\$70,909,282	\$78,031,793	Combined Retail	\$78,849,875	\$85,205,956
Wholesale	\$11,336,091	\$12,561,272	Combined Wholesale	\$11,472,402	\$12,561,272
Public Fire Protection	\$8,076,905	\$7,174,163			
Total	\$90,322,278	\$97,767,228	Total	\$90,322,278	\$97,767,228

Local Comparison of Rates

Average Quarterly Single Family Residential Bill – Southeast Wisconsin

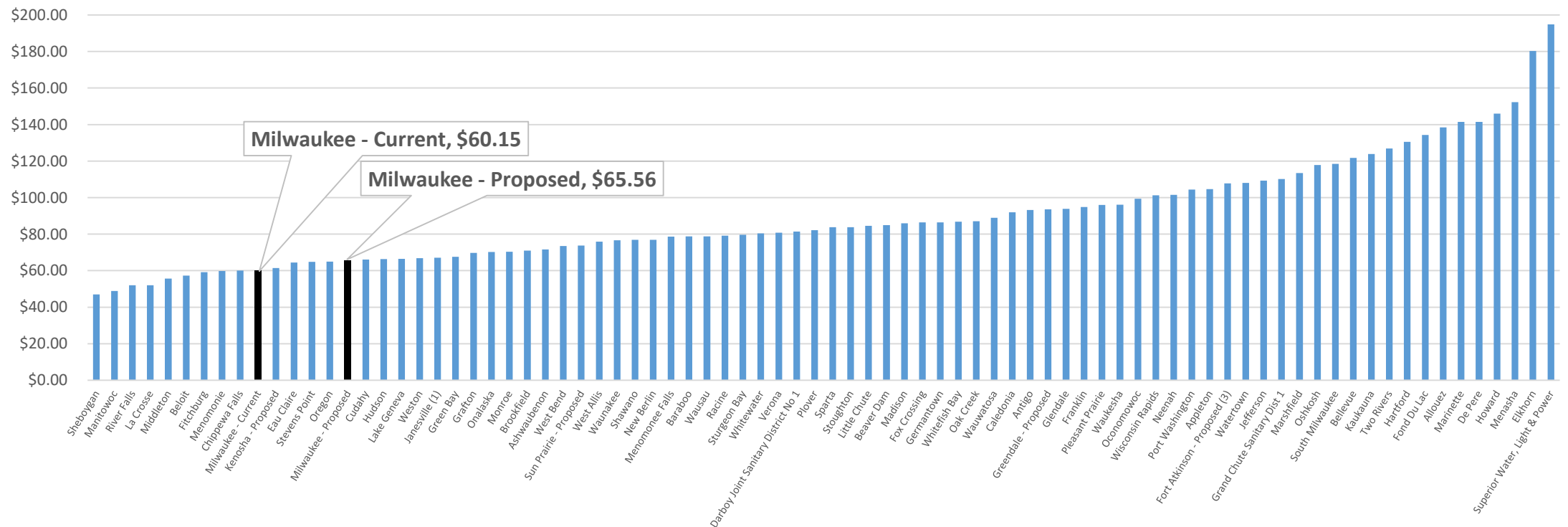
15 CCF with Public Fire Protection



Regional Comparison of Rates

Average Quarterly Single Family Residential Bill – Statewide Class AB Utilities

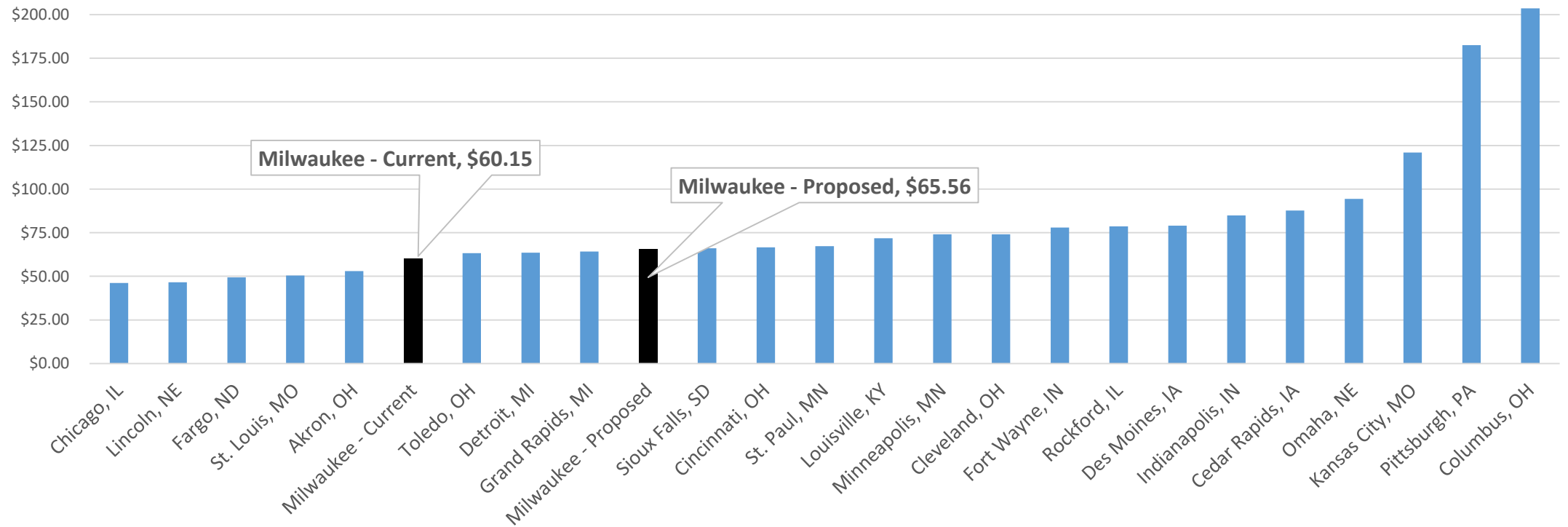
15 CCF with Public Fire Protection



National Comparison of Rates

Average Quarterly Single Family Residential Bill – Peer Cities

15 CCF



Affordability Initiatives

- Promise Pay
- LIWHAP/LIWCAP
- Neighborhood payment options
- US Water Alliance affordability pilot
- Infrastructure, Investment & Jobs Act
- Build Back Better Bill

U.S. Department of Labor Secretary Marty Walsh, Congresswoman Gwen Moore, Mayor Tom Barrett, Chytania Brown of Employ Milwaukee, Public Works Commissioner Jeff Polenske, and Water Superintendent Karen Dettmer discuss a lead service line replacement completed by MJ Construction on N Palmer St in the Harambee Neighborhood



Milwaukee
Water Works

Next Steps

- December 2021 – Application submittal
- PSC review
- MWW response to data requests
- File testimony in support of proposal, if necessary
- Public Hearing hosted by PSC
- Summer 2022 – Anticipated timing of PSC rate adjustment

Thank you
