

22.



City of West Allis Matter Summary

7525 W. Greenfield Ave.
West Allis, WI 53214

File Number	Title	Status
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R-2009-0248 Resolution Introduced

Resolution to approve the Memorandum of Understanding to pay the City's share of fees associated with the cooperative hiring of Short Elliott Hendrickson Inc. to advance joint concerns and protect common interests in regard to the City of Milwaukee Water Works application to the Wisconsin Public Service Commission to increase its water rates.

Introduced: 11/3/2009

Controlling Body: Administration & Finance Committee and

Sponsor(s): Administration & Finance Committee and Public Works Committee

COMMITTEE RECOMMENDATION

approval/adopt

ACTION DATE:	MOVER	SECONDER		AYE	NO	PRESENT	EXCUSED
NOV 03 2009			Barczak	<input checked="" type="checkbox"/>			
			Czaplewski	<input checked="" type="checkbox"/>			
			Kopplin		<input checked="" type="checkbox"/>		
			Lajsic		<input checked="" type="checkbox"/>		
			Narlock		<input checked="" type="checkbox"/>		
			Reinke		<input checked="" type="checkbox"/>		
			Roadt		<input checked="" type="checkbox"/>		
			Sengstock <i>X</i>		<input checked="" type="checkbox"/>		
		<i>X</i>	Vitale		<input checked="" type="checkbox"/>		
			Weigel <i>X</i>		<input checked="" type="checkbox"/>		
		TOTAL		5	5		

SIGNATURE OF COMMITTEE MEMBER

Kurt E. Kopplin _____
Chair *Henry Barczak* _____ Vice-Chair _____ Member

ADOPT

*follow-up
Asked Brenda
to provide
signatures
11-12-09*

COMMON COUNCIL ACTION

ACTION DATE:	MOVER	SECONDER		AYE	NO	PR
NOV 03 2009		<input checked="" type="checkbox"/>	Barczak	<input checked="" type="checkbox"/>		
			Czaplewski	<input checked="" type="checkbox"/>		
		<input checked="" type="checkbox"/>	Kopplin	<input checked="" type="checkbox"/>		
			Lajsic	<input checked="" type="checkbox"/>		
			Narlock	<input checked="" type="checkbox"/>		
			Reinke	<input checked="" type="checkbox"/>		
			Roadt	<input checked="" type="checkbox"/>		
			Sengstock	<input checked="" type="checkbox"/>		
			Vitale	<input checked="" type="checkbox"/>		
			Weigel	<input checked="" type="checkbox"/>		
		TOTAL		10	-	



City of West Allis

7525 W. Greenfield Ave.
West Allis, WI 53214

Resolution

File Number: R-2009-0248

Final Action:

Sponsor(s): Administration & Finance Committee

NOV 03 2009

Resolution to approve the Memorandum of Understanding to pay the City's share of fees associated with the cooperative hiring of Short Elliott Hendrickson Inc. to advance joint concerns and protect common interests in regard to the City of Milwaukee Water Works application to the Wisconsin Public Service Commission to increase its water rates.

WHEREAS, the City of Milwaukee Water Works has applied to the Wisconsin Public Service Commission to increase its water rates; and,

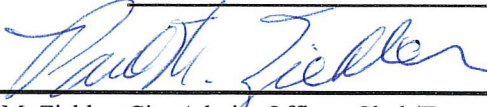
WHEREAS, this water rate increase request will have a significant effect on the City of West Allis and other communities Milwaukee supplies water to; and,


WHEREAS, by participating in a cooperative agreement with other communities, all parties involved can advance their concerns and protect their interests in a cohesive and coordinated manner; and,

WHEREAS, the attached Memorandum of Understanding provides the parties involved a means to implement the cooperation needed.

NOW, THEREFORE BE IT RESOLVED by the Common Council of the City of West Allis that the attached Memorandum of Understanding which includes paying the City's share of the fees associated with the cooperative hiring of Short Elliott Hendrickson Inc. is hereby approved.

BE IT FURTHER RESOLVED that the proper City officials are authorized and directed to execute said agreement on behalf of the City.

ADOPTED NOV 03 2009

Paul M. Ziehler, City Admin. Officer, Clerk/Treas.

APPROVED 11/10/09

Dan Devine, Mayor

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (“MOU”) is made effective this 22nd day of October, 2009 by and between the parties described in Exhibit A attached hereto (collectively the “Parties”).

RECITALS

WHEREAS, on or about September 2, 2009, the Milwaukee Water Works (“MWW”) submitted a formal rate case, Case Number 3720-WR-107, to the Wisconsin Public Service Commission (“PSC”) for purposes of adjusting wholesale water rates paid by the Parties for purposes of providing water to the Parties’ customers (hereinafter the “Rate Case”); and

WHEREAS, the Parties have common interests and concerns which they wish to advance and protect with respect to the Rate Case, and have jointly moved to intervene in the Rate Case in order to protect the Parties’ interests; and

WHEREAS, on or about October 15, 2009 the Parties met to discuss the topic of cooperatively hiring Short Elliott Hendrickson Inc. for purposes of serving as a Rate Analyst (“Analyst”) on behalf of the Parties in conjunction with the Rate Case; and

WHEREAS, the Parties have agreed that the costs of hiring the Analyst for the Rate Case should be shared among the Parties in a proportion equivalent to the average percentage of the volume of water used and the dollars paid to the Milwaukee Water Works.

AGREEMENT

NOW, THEREFORE, the Parties agree as follows:

1. Incorporation by reference. All of the clauses contained in the Recitals, above, are incorporated herein by reference and made a part of this Agreement.

Payment of Analyst’s Fees. Upon the hiring of the Analyst by the Parties to perform the analysis associated with participation in the Rate Case, each party agrees to pay Analyst for its share of the Analyst’s fees incurred to date and projected to be incurred through the conclusion of the Analyst’s participation in the Rate Case on behalf of the Parties, in the proportion described in Exhibit B. It is understood that the fee amount of \$47,510 utilized in Exhibit B is utilized as an example only, based upon the Analyst’s estimated costs for conducting Analyst’s duties in conjunction with Phase I and Phase II of the Rate Case. However, should the actual costs of the Analyst’s participation in the Rate Case on behalf of the Parties be different from the estimated costs used in Exhibit B, the additional costs shall be shared by the Parties in a like proportion to that proportion used for illustration purposes in Exhibit B. If work beyond the consultant's Phase I and II is needed, approval will be obtained from communities before Phase III is undertaken.

CITY OF WAUWATOSA
A Wisconsin Municipal Corporation

By: _____

Title: _____

Contact Information: _____

VILLAGE OF BROWN DEER
A Wisconsin Municipal Corporation

By: _____

Title: _____

Contact Information: _____

VILLAGE OF BUTLER
A Wisconsin Municipal Corporation

By: _____

Title: _____

Contact Information: _____



October 1, 2009

RE: Proposal to Provide Professional
Water Rate Analysis Services

Jim Wojcehowicz
Water Superintendent
Wauwatosa Water Utility
Phone: (414) 479-8965
E-mail: jwojcehowicz@wauwatosa.net

Mike Rau
President
City Water LLC
Phone: (414) 559-8739
E-mail: mike.rau@citywaterusa.com

Dear Jim and Mike:

Thank you for inviting Short Elliott Hendrickson Inc. (SEH[®]) to propose professional services for this project. We also appreciate the information that you provided related to this project, which has helped us better understand your requirements and related issues. This proposal responds to your Request for Proposals (RFP) of August 10, 2009, including a brief Qualifications Statement of our assembled project team, and a description of our proposed Scope of Services, Project Schedule and budget information.

We understand the Milwaukee Water Works (MWW) recently filed for approval from the Public Service Commission of Wisconsin (PSC) for authority to increase water rates. MWW requested an overall increase of 28 percent, with a potentially larger increase proposed for wholesale customers. PSC will determine the actual level of the rate change for each retail customer class and wholesale customer after reviewing the application and holding a public hearing. The actual increase to individual customers will vary with water usage and the ultimate rates authorized by PSC.

The City of Milwaukee Water Works wholesale customers (MWC) desire to hire a team of water rate analysts to review the accuracy and appropriateness of this rate increase request. The MWC group includes the following municipalities:

- ◆ Brown Deer
- ◆ Butler
- ◆ Greendale
- ◆ Menomonee Falls
- ◆ Mequon
- ◆ New Berlin
- ◆ Shorewood
- ◆ Wauwatosa
- ◆ West Allis
- ◆ Milwaukee County
Grounds in Wauwatosa.

As you will see in our proposal, we have assembled a very qualified team to assist you with this project. All team members are available to work on the project to meet the anticipated schedule shown in the proposal. Our team's commitment is to assign the right persons with the right skills to your project from start to finish. The team's project manager, Patrick Planton, has dedicated his career to Wisconsin water engineering, and has worked with dozens of Wisconsin water utilities with infrastructure and financial planning. In addition, Mr. Eric Rothstein is a nationally recognized expert in the field of water utility rate analysis and financial planning. Finally, Ms. Lawrie Kobza is an attorney specializing in the field of environmental law, and has extensive experience with Wisconsin water utility legal issues and with PSC.

SCOPE OF SERVICES

The project team will perform the following scope of services to assist the MWC group in reviewing and responding to MWW's conventional rate case application submitted to PSC. The scope of work has been broken down into the following project phases:

<u>Phase</u>	<u>Description</u>
1	Preliminary Review of Submitted Rate Application
2	Review and Comment on PSC Staff Exhibit
3	Assistance with PSC Public Hearing

Phase 1 – Preliminary Review of Submitted Rate Application

During this project phase, PSC water rate staff will be reviewing the submitted rate application information, and will prepare the following documentation for the PSC staff exhibit regarding the MWW rate case:

- ◆ Test Year utility revenue requirement analysis
- ◆ Cost of Service study for wholesale and retail customers
- ◆ Rate Design for wholesale and retail customers
- ◆ Rate Tariff changes needed or requested by MWW

While PSC staff is processing the MWW rate case, the project team will perform the following:

1. Review and comment on the proposed MWW test year revenue requirements as submitted to PSC in the MWW rate adjustment application. Review will include the following items:
 - a. Review of the proposed changes in MWW's revenue requirements since the most recent conventional rate case. Review will include test year revenue requirements (operation & maintenance expenses, depreciation, tax equivalent and return on net investment rate base [NIRB]) that would/could adversely affect MWW wholesale customers. These items could include, but are not necessarily limited to, the change in MWW's rate of return on NIRB (wholesale vs. retail), depreciation expense and tax equivalent charges, and payments to the City's General Fund.
 - b. MWW's projected test year costs for each revenue requirement category as compared to appropriate Wisconsin PSC benchmarks for water utility costs.
 - c. Identification of those changes in MWW's projected revenue requirements that may be inequitable or inappropriate.
 - d. Preparation of a technical memorandum documenting the findings and conclusions of Phase 1 activities.

2. Attend a meeting with the MWC group representatives to present and discuss the findings and conclusions of Phase 1, and recommend actions to be taken (if any) prior to the completion of the PSC staff exhibit on the MWW rate case.

Phase 2 – Review and Comment on PSC Staff Exhibit

1. Review and comment on PSC staff exhibit regarding the MWW rate case. Review will include the following items:
 - a. Test Year utility revenue requirement analysis
 - b. Cost of Service study for wholesale and retail customers
 - c. Rate Design for wholesale and retail customers
 - d. Rate Tariff changes needed or requested by MWW
2. Provide comparative analyses of the MWW and PSC staff positions as well as develop independent alternative analyses on specific, material rate-making issues. Alternative analyses will evaluate the potential exclusion of selected revenue requirements, development of alternative cost allocations, and consideration of rate structure options. Summarize analyses by identifying the revenue requirement allocation consequences of alternative approaches to the most significant rate-making issues.
3. Prepare a technical memorandum documenting the findings and conclusions of the PSC staff exhibit review, and summarizing the MWW/PSC comparative alternative analyses.
4. For PSC proposed water rate and/or tariff changes that negatively impact MWC group members, advise the group representatives regarding potential negotiating strategies and/or alternatives.
5. For PSC proposed water rate and/or tariff changes that are deemed discriminatory, inappropriate or inequitable to wholesale customers, at the direction of the MWC group communities, work with representatives of MWW and PSC to resolve these issues before the scheduled MWW rate case public hearing. Activities to be performed may include:
 - a. Prepare materials with preliminary documentation and analysis demonstrating the inequity of the cost allocation factors/methods (for purposes of discussions with the MWW – but not to a level of detail required for a contested rate case).
 - b. Attend up to two meetings with MWW staff to discuss rate case issues.
 - c. Contact/meet with PSC water rate staff to discuss the MWW rate case issues and obtain staff input on MWC group concerns and positions.
 - d. Providing one or more written status briefings and attend up to 3 meetings with the MWC group representatives to provide updates on the status of discussions.

Phase 3 – Assistance with PSC Public Hearing

1. If the MWW rate case issues are resolved or if the MWC group communities decide not to pursue a contested case, the project team will attend and comment on behalf of the MWC group at the MWW rate case public hearing for a noncontested rate case.

- ◆ **Honolulu Department of Environmental Services:** Wastewater Utility Rates and SDCs
- ◆ **Oak Creek Water and Sewer District, Wisconsin,** Wholesale Water Rates
- ◆ **Provo, Utah:** Storm water, Water and Wastewater SDCs
- ◆ **Salem, Oregon:** Storm water, Water and Wastewater Utility Rates and SDCs
- ◆ **Tucson, Arizona:** Water and Wastewater Utility Rates
- ◆ **Winnipeg, Manitoba:** Water and Wastewater Utility Rates

Lawrie Kobza is an environmental attorney with the law firm of Boardman, Suhr, Curry & Field LLP of Madison. Ms. Kobza has worked with dozens of Wisconsin water utilities over the past 20 years on a variety of legal issues, including water rate cases with the PSC. She has worked directly with several utilities in the Milwaukee area, including Oak Creek, Racine, Kenosha, and the North Shore Water Commission, but not with the City of Milwaukee. Ms. Kobza will be available to assist the project team with any specific legal questions and/or issues that may arise as a part of the completion of the proposed scope of services.

MWC RESPONSIBILITIES

The MWC group, at its expense, shall do the following in a timely manner so as not to delay the Services.

1. **Information / Reports:** Furnish the SEH project team with the following information, all of which SEH may rely upon without independent verification in performing the Services:
 - a. Historical MWC water utility financial records and annual PSC reports
 - b. Previous PSC rate case documentation
2. **Representative:** Designate a representative for the Project who shall have the authority to transmit instructions, receive information, interpret and define MWC's policies and make decisions with respect to the Services.
3. **Decisions:** Provide all criteria and full information as to MWC requirements for the Project, obtain (with SEH's assistance, if applicable) necessary approvals, attend Project-related meetings, provide interim reviews on an agreed-upon schedule, make decisions on Project alternatives, and generally participate in the Project to the extent necessary to allow the SEH project team to perform the Services.
4. **Other Responsibilities:** Pay directly any required fees associated with the Project.

COMPENSATION

Hourly Basis Option

The MWC and SEH select the hourly basis for payment for services provided by the project team. SEH shall be compensated monthly. Monthly charges for services shall be based on the SEH project team's current billing rates for applicable employees plus charges for any expenses incurred. Current billing rates shall be the Actual Billing Rates of Personnel Method as summarized below.

1. **Actual Billable Rates of Personnel Method** - Applicable billing rates of the SEH project team members shall be based on the actual billable rates of personnel plus the cost of expenses as outlined below.

SEH will provide an estimate of the costs for services in this Proposal. It is agreed that after 90 percent of the estimated compensation has been earned and if it appears that completion of the services cannot be accomplished within the remaining 10 percent of the estimated compensation, SEH will notify the MWC and confer with representatives of the MWC to determine the basis for completing the work.

SEH's estimate of the costs for services in this Proposal is summarized in the table below.

Project Team Billing Rates

Patrick Planton, Project Manager	\$185 per hour
Eric Rothstein, Rate Analyst	\$210 per hour
Lawrie Kobza, Legal Advisor	\$250 per hour
Administrative Services	\$60 per hour

Estimated Project Hours and Fees

Team Member	Estimated Hours	Total
PHASE 1		
Patrick Planton	16	\$ 2,960
Eric Rothstein	13	\$ 2,730
Lawrie Kobza	10	\$ 2,500
Admin	3	\$ 180
Subtotal	42	\$ 8,370
<i>Estimated Expenses</i>		
Meetings		\$ 500

Team Member	Estimated Hours	Total
PHASE 2		
Patrick Planton	60	\$ 11,100
Eric Rothstein	58	\$ 12,180
Lawrie Kobza	48	\$ 12,000
Admin	11	\$ 660
Subtotal	177	\$ 35,940
<i>Estimated Expenses</i>		
Meetings		\$ 2,700

PHASE 3

To Be Estimated after Phase 2

Other Provisions Concerning Payments

1. Invoices will be prepared in accordance with SEH's standard invoicing practices and will be submitted monthly to MWC by SEH, unless otherwise agreed.
2. Invoices are due and payable within 30 days of receipt.

Expenses

The following items involve expenditures made by SEH employees or professional consultants on behalf of the MWC. Their costs are not included in the hourly charges made for services and shall be paid for as described in this Proposal.

1. Transportation and travel expenses.
2. Lodging and meal expense connected with the Project.
3. Report or documentation reproduction expenses.
4. Other special expenses required in connection with the Project.

We appreciate this opportunity to work with the MWC group. Upon review of our proposal, please do not hesitate to contact Patrick Planton at (920) 380-2817 if you have any questions or if you need additional information.

Sincerely,

SHORT ELLIOTT HENDRICKSON INC.



Patrick S. Planton, PE | Principal
Water Practice Director

ms

c: Eric Rothstein, Galardi Rothstein Group
Lawrie Kobza, Boardman Law Firm