



City of West Allis, WI

2024 Water Rate Study

Phase 2: PSC CRC App & LRCFA

July 10, 2024 City Council Meeting

Why are we here?

- Analyze the impact of planned capital projects on the water utility & PSC rate performance
- Ehlers to identify fiscal sustainability
- Our process:
 - ✓ Historical Rate Performance
 - ✓ Future Projections:
 - O&M, Depreciation, PILOT
 - Funding Projects: Debt vs. Cash
 - Rate Impact

PSC Windows of Opportunity to Adjust Rates

Simplified Rate Case ("SRC")

- Once a year and only if eligible
- Eligibility based on time and finances
 - Time: Once a year and w/in 5 years since last CRC
 - Finances: if PSC report indicates that year's SRC rate would not take utility over benchmark ROR

Conventional Rate Case ("CRC")

- Eligible whenever
- PSC will generally want their math

Water: Historical Rate Implementation

- Rates were last adjusted in
 - ✓ November 1, 2020 through a CRC
 - ✓ July 1, 2023 through a PWAC
- Eligibility for SRC
 - ✓ Timing: until November 1, 2025
 - ✓ Financial: not currently eligible from 2023 PSC Annual Report

Water: Historical Rate Performance

Shown with no increase

Revenue Requirement						Budget
Component	Description	2020	2021	2022	2023	2024
Cash Basis						
1	O&M and PILOT	\$7,211,133	\$6,801,902	\$6,911,743	\$6,453,241	\$7,659,341
2	Debt	\$2,762,516	\$1,645,156	\$3,774,069	\$1,426,029	\$1,300,254
3	Cash Funded Capital	\$1,105,006	\$658,062	\$1,803,941	\$3,804,339	\$520,102
Less:						
	Other Revenue	\$170,632	\$155,344	\$88,200	\$365,661	\$457,000
	Interest Income	\$0	\$0	\$15,421	\$0	\$0
	Revenue Requirement (Costs less Other Income)	\$10,908,023	\$8,949,776	\$12,386,132	\$11,317,948	\$9,022,696
	User Rates Revenue	\$8,331,638	\$8,433,304	\$8,749,226	\$8,323,457	\$8,804,000
	Rate Adequacy	(\$2,576,385)	(\$516,472)	(\$3,636,906)	(\$2,994,491)	(\$218,696)
	Rate Adjustment Needed	30.92%	6.12%	41.57%	35.98%	2.48%
Utility Basis (PSC)						
1	O&M and PILOT	\$7,211,133	\$6,801,902	\$6,911,743	\$6,453,241	\$7,659,341
2	Depreciation	\$836,222	\$749,823	\$735,000	\$740,722	\$803,888
	NIRB	\$26,152,762	\$26,296,442	\$26,033,795	\$26,860,747	\$27,413,503
	PSC Benchmark ROI %	5.70%	4.90%	4.90%	6.50%	6.30%
3	PSC Calculated ROI	\$1,490,707	\$1,288,526	\$1,275,656	\$1,745,949	\$1,727,051
Less:						
	Other Revenue	\$170,632	\$155,344	\$88,200	\$365,661	\$457,000
	Revenue Requirement (Costs less Other Income)	\$9,367,430	\$8,684,907	\$8,834,199	\$8,574,251	\$9,733,280
	User Rates Revenue	\$8,331,638	\$8,433,304	\$8,749,226	\$8,323,457	\$8,804,000
	Rate Adequacy	(\$1,035,792)	(\$251,603)	(\$84,973)	(\$250,794)	(\$929,280)
	Rate Adjustment Needed	12.43%	2.98%	0.97%	3.01%	10.56%

Can't afford new debt

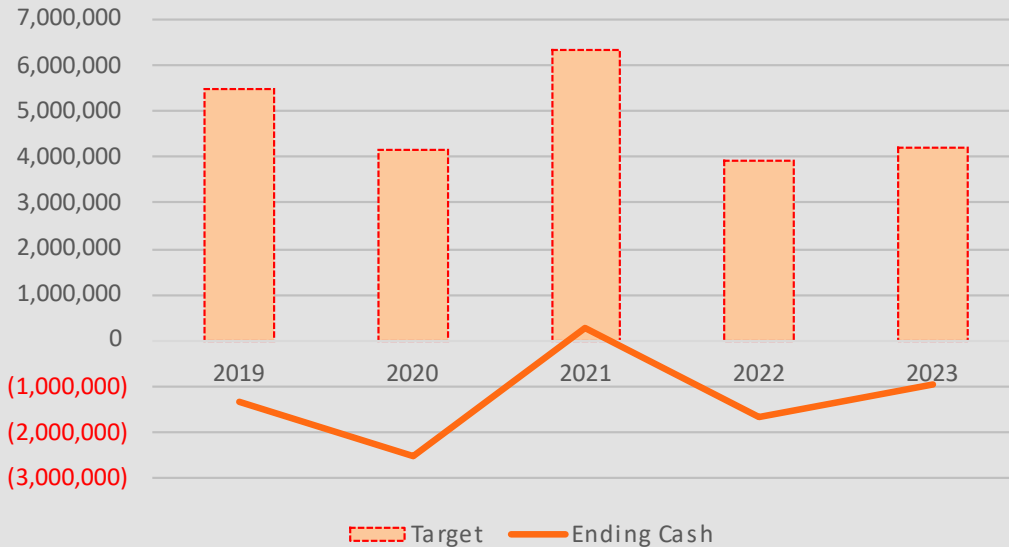
PSC Math has a compounding affect on water rates

Notes:

^Includes recommended debt coverage at 1.4x annual debt payment

Water: Historical Financial Indicators

Reserves- Actual vs. Target



- Cash is the paramount resource utilities have to meet expenses, cope with emergencies, and navigate business interruptions
- Tied with Debt Coverage for Moody's weighted avg. importance to utility credit rating
- Target reserves to fund deficits and capital (4mos)

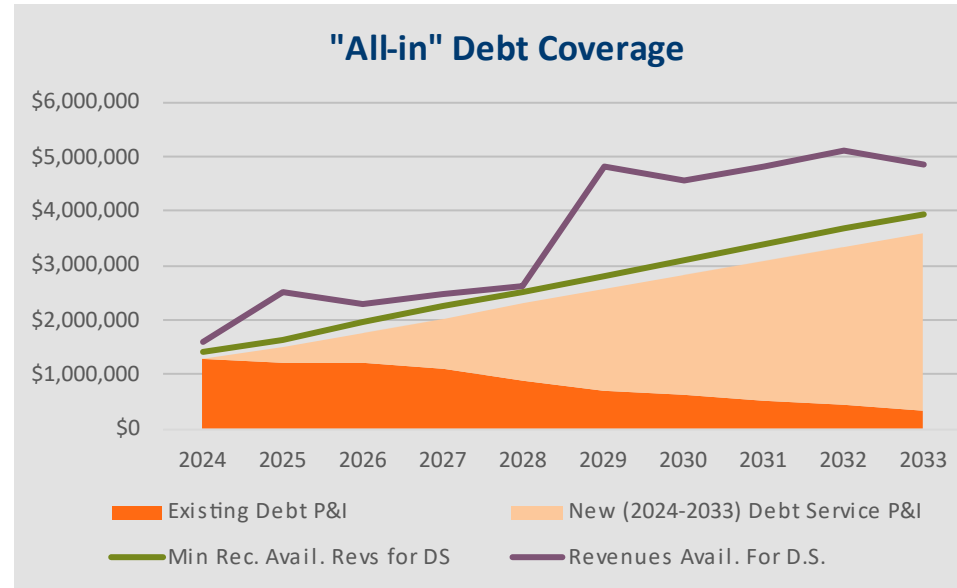
Water rate options

- Simplified: not eligible
- Conventional
 - ✓ Even in a scenario with declining ROR, the adjustment needed increases

	2024	2025	2026
<u>Rate of Return</u>			
Average Utility Plant in Service	41,361,719	47,980,192	55,208,492
Plus: Materials and Supplies	150,209	150,209	150,209
Less: Avg. Utility Plant Accum. Depreciation	14,098,425	14,555,277	15,097,359
Less: Regulatory Liability	0	0	0
Average Net Investment Rate Base (NIRB)	27,413,503	33,575,124	40,261,342
Net Operating Income	797,771	246,709	(315,915)
ROR	2.91%	0.73%	-0.78%
PSC Projected Benchmark	6.30%	6.00%	5.00%
Rate Adj. to benchmark	10.56%	20.1%	26.5%

Water: Future Projection (Tables 6-11)

- Utility investing in 62M of added capital 2024-2032
- With no cash CIP will have to be funded by debt or outside sources
- Ehlers structured a 10-year debt model with structured debt service increasing 250k per year for stabilized rate adjustments that match PSC rate making practices



Water Rate Application Results

Revenue Requirement		Shown with no increase				Budget	Test Year
Component	Description	2020	2021	2022	2023	2024	2024
Utility Basis (PSC)							
1	O&M and PILOT	\$7,211,133	\$6,801,902	\$6,911,743	\$6,453,241	\$7,659,341	\$7,289,878
2	Depreciation	\$836,222	\$749,823	\$735,000	\$740,722	\$803,888	\$803,888
	NIRB	\$26,152,762	\$26,296,442	\$26,033,795	\$26,860,747	\$27,413,503	\$27,413,503
	PSC Benchmark ROI %	5.70%	4.90%	4.90%	6.50%	6.30%	6.30%
3	PSC Calculated ROI	\$1,490,707	\$1,288,526	\$1,275,656	\$1,745,949	\$1,727,051	\$1,727,051
	Less:						
	Other Revenue	\$170,632	\$155,344	\$88,200	\$365,661	\$457,000	\$353,000
	Revenue Requirement (Costs less Other Income)	\$9,367,430	\$8,684,907	\$8,834,199	\$8,574,251	\$9,733,280	\$9,467,817
	User Rates Revenue	\$8,331,638	\$8,433,304	\$8,749,226	\$8,323,457	\$8,804,000	\$8,361,309
	Rate Adequacy	(\$1,035,792)	(\$251,603)	(\$84,973)	(\$250,794)	(\$929,280)	(\$1,106,508)
	Rate Adjustment Needed	12.43%	2.98%	0.97%	3.01%	10.56%	13.34%

Water Rate Comparison: By County (3); Class (AB/C)

Utility Name	County	Utility Class	Min Qtrly Bill (5/8 mete	6000 G	12000 G	15000 G	Effective Da
City of Waukesha Water Utility	Waukesha	AB	\$ 48.00	\$ 89.40	\$ 130.80	\$ 151.50	10/1/2023
Union Grove Municipal Water Utility	Racine	C	\$ 33.00	\$ 75.54	\$ 118.08	\$ 139.35	4/1/2023
Glendale Water Utility	Milwaukee	AB	\$ 30.00	\$ 68.52	\$ 107.04	\$ 126.30	6/20/2024
Wauwatosa Water Utility	Milwaukee	AB	\$ 20.00	\$ 61.60	\$ 103.20	\$ 124.00	8/7/2023
South Milwaukee Water Utility	Milwaukee	AB	\$ 34.91	\$ 68.83	\$ 102.75	\$ 119.71	2/1/2024
Village of Fox Point Water Utility	Milwaukee	C	\$ 24.36	\$ 60.44	\$ 96.52	\$ 114.56	8/1/2021
Mequon Municipal Water Utility	Milwaukee	AB	\$ 31.32	\$ 63.06	\$ 94.80	\$ 110.67	12/18/2023
Village of Sussex Water Public Utility	Waukesha	C	\$ 39.00	\$ 66.30	\$ 93.60	\$ 107.25	12/26/2019
Mukwonago Municipal Water Utility	Waukesha	C	\$ 33.95	\$ 63.65	\$ 93.35	\$ 108.20	1/6/2022
City of Pewaukee Water Utility	Waukesha	C	\$ 30.00	\$ 58.50	\$ 87.00	\$ 101.25	3/1/2024
New Berlin Water Utility	Waukesha	AB	\$ 21.00	\$ 53.70	\$ 86.40	\$ 102.75	4/1/2024
Franklin Municipal Water Utility	Milwaukee	AB	\$ 25.22	\$ 55.46	\$ 86.10	\$ 101.82	6/23/2016
Shorewood Municipal Water Utility	Milwaukee	C	\$ 30.00	\$ 57.04	\$ 84.08	\$ 97.60	1/6/2023
Village of Caledonia Water Utility	Racine	AB	\$ 22.09	\$ 51.05	\$ 80.01	\$ 94.49	3/15/2021
Village of Greendale Water Utility	Milwaukee	AB	\$ 21.02	\$ 49.46	\$ 77.90	\$ 92.12	9/30/2023
City of Oconomowoc Utilities	Waukesha	AB	\$ 27.00	\$ 52.20	\$ 77.40	\$ 90.00	9/1/2021
Burlington Municipal Waterworks	Racine	C	\$ 31.10	\$ 53.10	\$ 75.10	\$ 86.10	9/14/2023
Milwaukee Water Works	Milwaukee	AB	\$ 25.75	\$ 50.39	\$ 75.03	\$ 87.35	4/1/2023
Hartland Municipal Water Utility	Waukesha	C	\$ 28.70	\$ 51.14	\$ 73.58	\$ 84.80	12/16/2023
West Allis Municipal Water Utility (TY24 CRC)	Milwaukee	AB	\$ 23.81	\$ 48.02	\$ 72.23	\$ 84.34	TBD
Racine Water Works Commission	Racine	AB	\$ 22.30	\$ 47.18	\$ 72.06	\$ 84.50	10/26/2020
City of Muskego Water Public Utility	Waukesha	C	\$ 27.82	\$ 49.36	\$ 70.90	\$ 81.67	1/1/2021
Village of Pewaukee Water Utility	Waukesha	C	\$ 24.00	\$ 46.38	\$ 68.76	\$ 79.95	3/1/2022
Brookfield Municipal Water Utility	Waukesha	AB	\$ 20.31	\$ 44.01	\$ 68.73	\$ 82.11	12/1/2023
Oak Creek Water and Sewer Utility	Milwaukee	AB	\$ 27.58	\$ 47.92	\$ 68.26	\$ 78.43	11/15/2017
Village of Waterford Water and Sewer Utility	Racine	C	\$ 23.97	\$ 45.75	\$ 67.53	\$ 78.42	6/20/2019
Village of Whitefish Bay Water Utility	Milwaukee	AB	\$ 27.00	\$ 46.60	\$ 66.20	\$ 76.00	12/1/2020
West Allis Municipal Water Utility (Current)	Milwaukee	AB	\$ 21.01	\$ 42.37	\$ 63.73	\$ 74.41	7/1/2023
Village of Menomonee Falls Water Utility	Waukesha	AB	\$ 11.52	\$ 37.38	\$ 63.24	\$ 76.17	1/1/2017
Brown Deer Water Public Utility	Milwaukee	C	\$ 23.71	\$ 42.43	\$ 61.15	\$ 70.51	12/1/2023
Milwaukee Water Works	Milwaukee	AB	\$ 20.60	\$ 40.28	\$ 59.96	\$ 69.80	4/1/2023
City of Cudahy Water Utility	Milwaukee	AB	\$ 19.65	\$ 37.65	\$ 55.65	\$ 64.65	2/1/2022
Milwaukee Water Works	Milwaukee	AB	\$ 25.75	\$ 39.43	\$ 53.11	\$ 59.95	4/1/2023
Brookfield Tn Of Sanitary Dist No 4	Waukesha	C	\$ 30.30	\$ 40.98	\$ 51.66	\$ 57.00	9/21/2023

Impact on Avg. Residential Bill

Year	Water					Utility Bill (Annual)	Change Over Prior Year	% of MHI (72,458)	Year
	Increase	Water Vol. Charge ¹	Water User Charge ²	Utility Bill (Quarterly)	Change Over Prior Year				
		<u>Tiered</u>	<u>Serv. + PFP</u>						
2023		2.67	36.28	\$ 77.83		\$ 311.30		0.43%	2023
2024	0.00%	2.67	36.28	\$ 77.83	\$ -	\$ 311.30	\$ -	0.43%	2024
2025	13.34%	3.03	41.12	\$ 88.21	\$ 10.38	\$ 352.83	\$ 41.53	0.49%	2025
2026	0.00%	3.03	41.12	\$ 88.21	\$ -	\$ 352.83	\$ -	0.49%	2026
2027	4.00%	3.15	42.76	\$ 91.73	\$ 3.53	\$ 366.94	\$ 14.11	0.51%	2027
2028	4.00%	3.27	44.47	\$ 95.40	\$ 3.67	\$ 381.62	\$ 14.68	0.53%	2028
2029	22.62%	4.01	54.54	\$ 116.99	\$ 21.58	\$ 467.95	\$ 86.34	0.65%	2029
2030	0.00%	4.01	54.54	\$ 116.99	\$ -	\$ 467.95	\$ -	0.65%	2030
2031	4.00%	4.17	56.72	\$ 121.67	\$ 4.68	\$ 486.67	\$ 18.72	0.67%	2031
2032	4.00%	4.34	58.99	\$ 126.53	\$ 4.87	\$ 506.14	\$ 19.47	0.70%	2032
2033	0.00%	4.34	58.99	\$ 126.53	\$ -	\$ 506.14	\$ -	0.70%	2033
Total Change over planning period					\$ 48.71	\$ 194.84			

Notes:

1. Current water volumetric rate is \$2.67 per 100 cubic feet for the first 10,000 cubic feet.
2. The water user charges include a quarterly service charge of \$21.01 plus a public fire protection charge of \$15.27 for a 5/8 inch meter.
3. The current Sewer volumetric rate is \$21.50 for the first 0-10 CCF and \$2.15 per CCF for anything over 10 CCF for 5/8 inch meter.
4. The usage is assumed to be 1,556 CF per quarter.

Recommendations

- Current Cash Position will require debt for near term capital
- File Full Rate case for Test Year 2024 @ Full ROR to
 - ✓ Build cash to healthy position over time
 - ✓ Avoid further debt pressures
 - ✓ Pay existing and proposed obligations
- Waiting will cause further pressure w/o significant new users



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