

Clearinghouse Rule 11-039

BEFORE THE

PUBLIC SERVICE COMMISSION OF WISCONSIN

Water Conservation and Construction Rules

1-AC-232

NOTICE OF HEARING

Hearing Date:	Tuesday, July 26, 2011, at 10:00 a.m.
Hearing Location:	Public Service Commission, 610 North Whitney Way, Madison, WI

Comments Due: Tuesday, August 2, 2011 – Noon	Address Comments To: Sandra J. Paske, Secretary to the Commission Public Service Commission P.O. Box 7854 Madison, WI 53707-7854 FAX (608) 266-3957
FAX Due: Monday, August 1, 2011 – Noon	

The Public Service Commission of Wisconsin proposes an order to repeal PSC 185.815, 185.84 and 185.87; renumber PSC 185.21 (intro.) and 185.22 (5); renumber and amend PSC 185.33 (2); repeal and re-create ch. PSC 184 and 185.85; and create PSC 185.12 (3e), (3m), (3s), (4m), (10e), (10m), (10s), (12m), (17m), (20g), (20r), (22), 185.21 (1) (title) and (2), 185.33 (1m), 185.89, 185.90 and subchapter IX of ch. PSC 185 regarding water conservation and construction by water utilities and municipal combined water and sewer utilities.

**ANALYSIS PREPARED BY THE
PUBLIC SERVICE COMMISSION OF WISCONSIN**

The analysis is set forth as Attachment A.

TEXT OF PROPOSED RULE

The text of the proposed rule is set forth as Attachment B.

INITIAL REGULATORY FLEXIBILITY ANALYSIS

This rule will not affect small businesses. The Wis. Stat. § 227.114(12) definition of “small business” states that to be considered a small business, the business must not be dominant in its field. The vast majority of water and combined water and sewer utilities are publicly owned and are not businesses. Further, since water utilities and combined water and sewer utilities are monopolies in their service territories, they are dominant in their fields.

FISCAL ESTIMATE

There are no long-term fiscal impacts on state or local governments. However, some municipal water utilities may see a small reduction in costs as a result of the proposed streamlining of construction rules. Additional fiscal information is included as Attachment C.

NOTICE OF HEARING

NOTICE IS GIVEN that, pursuant to Wis. Stat. § 227.16(2)(b), the Commission will hold a public hearing on these proposed rule changes in the Amnicon Falls Hearing Room at the Public Service Commission Building, 610 North Whitney Way, Madison, Wisconsin, on Tuesday, July 26, 2011, at 10:00 a.m. This building is accessible to people in wheelchairs through the Whitney Way (lobby) entrance. Handicapped parking is available on the south side of the building.

WRITTEN COMMENTS

Any person may submit written comments on these proposed rules. The hearing record will be open for written comments from the public, effective immediately, and until Tuesday, August 2, 2011, at noon (Monday, August 1, 2011, at noon, if filed by fax). All written comments must include a reference on the filing to docket 1-AC-232. File by one mode only.

Industry: File comments using the Electronic Regulatory Filing system. This may be accessed from the Commission’s website at www.psc.wi.gov.

Members of the Public:

If filing electronically: Use the Public Comments system or the Electronic Regulatory Filing system. Both of these may be accessed from the Commission’s website at www.psc.wi.gov.

If filing by mail, courier, or hand delivery: Address as shown in the box on page 1.

If filing by fax: Send fax comments to (608) 266-3957. The fax filing cover sheet MUST state “Official Filing,” the docket number 1-AC-232, and the number of pages (limited to 25 pages for fax comments).

CONTACT PERSON

Questions regarding this matter, including small business questions, should be directed to Jeff Ripp, Water Conservation Coordinator, at (608) 267-9813 or jeffrey.ripp@wisconsin.gov. Media questions should be directed to Matt Pagel, Interim Director of Public Affairs, at (608) 266-9600. Hearing- or speech-impaired individuals may also use the Commission's TTY number: If calling from Wisconsin, (800) 251-8345; if calling from outside Wisconsin, (608) 267-1479.

The Commission does not discriminate on the basis of disability in the provision of programs, services, or employment. Any person with a disability who needs accommodations to participate in this proceeding or who needs to get this document in a different format should contact the Water Conservation Coordinator, as indicated in the previous paragraph, as soon as possible.

Dated at Madison, Wisconsin, June 2, 2011

By the Commission:

/s/ Sandra J. Paske

Sandra J. Paske
Secretary to the Commission

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**ANALYSIS PREPARED BY THE
PUBLIC SERVICE COMMISSION OF WISCONSIN**

A. Statutory Authority and Explanation of Authority

This rule is authorized under ss. 196.02 (1) and (3), 196.12, 196.49, 227.11 and 281.346(8), Stats. Section 227.11, Stats., authorizes state agencies to promulgate administrative rules. Section 196.02 (1), Stats., authorizes the Public Service Commission (Commission) to do all things necessary and convenient to its jurisdiction. Section 196.02 (3), Stats., grants the Commission specific authority to promulgate rules. Section 196.12 authorizes the Commission to require utilities to report financial information, which includes expenditures on water conservation programs. Section 196.49 (3) authorizes the Commission to adopt rules regarding utility construction projects. Section 281.346 (8), Stats., directs the Commission to work in cooperation with the Departments of Natural Resources (DNR) and Commerce to develop and implement a statewide water conservation and efficiency program, including requirements for water public utilities.

B. Statutes Interpreted

The Great Lakes Compact, as promulgated in ch. 281, Stats., and ss. 196.02, 196.03, 196.10, 196.37, and 196.49, Stats.

C. Related Statutes or Rules

The DNR and the Commission have overlapping jurisdiction for water conservation programs. Chapter NR 852 establishes a statewide water conservation program for all water users, including water public utilities. This program is implemented by the DNR and contains mandatory requirements for some water users, including water utilities in the Great Lakes watershed, as well as voluntary elements for other water users statewide. The DNR's regulatory authority extends beyond water public utilities to include any system that provides water for public use such as schools, mobile home parks, co-ops, and private wells that serve multiple homes or businesses. The Commission's authority is limited to water public utilities as defined under s. 196.01(5)(a), Stats.

The DNR and the Commission also have overlapping jurisdiction in reviewing plans for the modification, extension, or construction of water public utility facilities. The DNR's regulatory authority is generally related to its role in protecting public health, while the Commission's authority is related to its role in regulating utilities generally. Under ch. NR 108, the DNR reviews any water utility extensions or alterations which may affect the quality or quantity of water delivered by an existing community water system, including wellhead protection plans for new wells serving municipal water systems. The Commission has the authority under s. 196.49, Stats., and ch. PSC 184, to review water

public utility construction for public convenience and necessity. Utilities cannot proceed with construction unless the DNR approves the project and the Commission issues a certificate of public convenience and necessity. Further, s. 196.025(2m), Stats., establishes a consultation process for the DNR and the Commission to cooperate on projects that require an environmental assessment or an environmental impact statement under s. 1.11, Stats.

D. Summary and Analysis of the Rule

The Commission regulates approximately 585 water public utilities, including several private water utilities and municipal combined water and sewer utilities. The Commission does not regulate municipally-owned sewer utilities. The proposed changes to chs. PSC 184 and 185 are intended to clarify the Commission's water conservation and construction requirements for water public utilities and to ensure that the Commission's rules are consistent with, but do not duplicate, DNR's programs. The proposed rules do all of the following:

- 1) Add definitions for commonly used terms.
- 2) Adopt a standardized water audit methodology and water loss reporting requirement for water utilities.
- 3) Establish criteria for voluntary utility-financed water conservation programs.
- 4) Establish or clarify requirements related to water supply shortages and service interruptions.
- 5) Update and clarify the Commission's rules and procedures for approving water utility construction projects.

Water Utility Construction – Chapter PSC 184

The Commission reviews and approves major utility construction projects to evaluate their impact on ratepayers. The proposed rule reorganizes, updates, and clarifies requirements for water utility construction authorization under ch. PSC 184. The proposed changes are intended to simplify the rules regarding review of construction projects by identifying the types of projects that require commission approval and listing the types of projects that are categorically exempt from review, such as *de minimus* cost projects, water main replacements, water meter replacement, routine maintenance, and repair.

The proposed rule identifies when a water utility is required to obtain Commission authorization before serving a new city, village or town. Under current practice, a water utility does not seek Commission authorization before it serves in a new township unless the township is already served by another water utility. This rule requires a water utility to receive Commission authorization before serving a new city, village or town, whether or not another utility is already serving the municipality.

The proposed rule requires a person to seek Commission authorization before deregulating utility sewer facilities.

The proposed rule codifies the information that must be included in the utility construction application. Among other specified requirements, a water utility will be required to provide information on any action the utility took, such as water conservation or water loss reduction measures, to mitigate the need for new construction.

The proposed rule increases the Commission's review time period from 60 days to 90 days for construction investigations that do not require a hearing to reflect the fact that projects require more time for approval. Finally, the proposed rule ensures coordination between the DNR and the PSC for projects that require an environmental impact statement or environmental analysis, as required by s. 196.025(2m), Stats.

Water Conservation and Efficiency – Chapter PSC 185

The proposed rules amend or add a number of water conservation and efficiency provisions in chapter PSC 185, relating to water utility service rules.

Definitions

The proposed rules include several new definitions for water public utilities. Definitions for utility classes are incorporated, based on the number of customer connections. Class AB utilities have 4,000 or more connections, Class C utilities have between 1,000 and 4,000 connections, and Class D utilities have fewer than 1,000 connections. These are not new definitions; the Commission uses these definitions for annual reporting and rate case processing, but the definitions are not included in a rule. The proposed rules also establish definitions for various customer classes used in water utility tariffs, including residential, commercial, industrial, public authority, non-residential, and irrigation-only customers. Several other commonly-used terms are also defined in the proposed rules.

Water Audits and Water Loss

Excessive water losses negatively affect utility finances because a water utility must purchase electricity and chemicals to produce the water but some of that water is lost before it can be sold to customers. These necessary costs are passed on to all utility customers. Moreover, excessive water loss often indicates a need for capital improvements to replace aging water mains and other infrastructure. Finally, by reducing water losses, a utility can delay the need for additional wells to meet growing demand.

The Commission currently requires water utilities to report annually the amount of water pumped, the amount of water sold, the amount of water lost in the distribution system through leaks and losses, the amount of water used within the system for utility purposes (e.g., hydrant and main flushing), and "unaccounted for" water. The Commission uses this information to benchmark performance and ensure that utilities are operating

efficiently. The proposed rule standardizes the method that utilities use to conduct an annual system-wide water audit and specifies how this information is to be reported to the commission.

Current rules require water utilities to report water pumpage, sales, and some losses. However, the rules rely on the term “unaccounted for water” to measure losses from a utility system. This term is vague and its usage in the water utility industry is being phased out in favor of a more robust definition of water loss. Under the new definition, water loss includes any water that is pumped and treated to drinking water standards but that is not sold to utility customers due to leaks, theft, metering errors, and other factors. This rule adopts this new definition, which is consistent with the water audit methodology adopted by the American Water Works Association (AWWA).

Under existing rules, water utilities with excessive system losses or unaccounted for water are required to identify the reasons for the losses and submit a corrective action plan to the Commission. Under the proposed rules, utilities would still be required to identify the reasons for the losses and submit a corrective action plan to the Commission. However, the proposed rule changes the criteria that the Commission would use to determine excessive water loss. Under the proposed rules, Class AB and Class C utilities would be required to submit a correction action plan if their water loss exceeds 15% of the water entering the distribution system and Class D utilities would be required to submit a plan if their water loss exceeds 25%. The proposed rules also allow the Commission to require a water utility to conduct a leak detection survey of their entire distribution system if the utility’s water loss exceeds the water loss standard for three consecutive years.

Voluntary Water Conservation Programs

A number of Wisconsin water utilities have implemented water conservation programs to reduce customer demand. There are a variety of reasons why a utility would want to implement a water conservation program, including limitations on existing wells and supply, rapidly growing demand, excessive outdoor water use in the summer, and new regulatory requirements, such as the Great Lakes Compact. There is no statewide funding equivalent to the Focus on Energy program for water conservation. These utilities have requested that the Commission approve the use of ratepayer funds to pay for these programs on a case-by-case basis. In previous individual rate case decisions, the Commission has established guidelines for utilities to follow when considering a water conservation program. The proposed rule codifies these guidelines, providing clear and consistent guidance to utilities who wish to offer customer incentives, such as toilet rebates. In addition, the proposed rule assists the Commission in evaluating whether a proposed conservation program is cost-effective and in the public interest.

The proposed rule does not establish any mandatory water conservation requirements. Rather, the rule sets up a procedure for utilities who wish to recover the costs of

voluntary water conservation efforts through water rates. The proposed rule also requires utilities to report on conservation-related expenditures and program outcomes annually.

Emergency Operations, Interruption of Service and Water Supply Shortages

The proposed rule would consolidate and update existing requirements in ch. PSC 185, related to providing a continuous and adequate water supply, procedures for interruption of service, and emergency operations.

The proposed rules create a new section to address a water supply shortage, which a utility may declare if the utility cannot adequately meet customer demand due to drought, insufficient source supply or excessive demand. Under the proposed rule, a water utility may adopt a water supply shortage curtailment plan and file it with the Commission. If a water utility has not adopted a plan, the proposed rule identifies a utility's responsibilities if facing a water supply shortage and permits temporary curtailments to customers other than essential use customers, such as hospitals. However, even essential use customers may face a curtailment if the utility receives prior Commission authorization.

Water Rates and Bill Information

The proposed rules require a water utility to adopt general service rates that reflect the cost of service for each customer class and that include a fixed and a variable charge. Also, the Commission may approve rates that promote efficient water use.

Under the proposed rules, a water utility that calculates usage in units of cubic feet shall provide customers consumption information in gallons, or a formula for converting usage from cubic feet to gallons.

E. Comparison with Existing or Proposed Federal Regulations

Rates and service rules for water public utilities are the exclusive jurisdiction of the States. There are no existing or proposed federal regulations pertaining to water quantity or water conservation that affect water public utilities. However, water public utilities must comply with regulations promulgated under the federal Safe Drinking Water Act, which may include conditions or restrictions on system design and construction to protect public health and ensure safe drinking water. The Great Lakes Compact, an interstate compact ratified by the U.S. Congress, applies to water public utilities that withdraw surface or groundwater from the Lake Michigan and Lake Superior watersheds.

F. Comparison with Similar Rules in Adjacent States

All eight Great Lakes States (New York, Pennsylvania, Ohio, Indiana, Illinois, Wisconsin, Michigan, and Minnesota) are party to the Great Lakes Compact, which requires each state to do all of the following:

1. Adopt a mandatory or voluntary water conservation program.
2. Regulate withdrawals from the Great Lakes watershed, both groundwater and surface water.
3. Prohibit the diversion of water from the Great Lakes watershed, with some limited exceptions.

Specifically, the Great Lakes Compact required each state to implement a water conservation and efficiency program by December 2010, including state-specific water conservation and efficiency goals and objectives and either voluntary or mandatory conservation requirements for water users. The Wisconsin DNR has adopted administrative rules to implement the Compact in chs. NR 850, NR 852, NR 856, and NR 860.

Because water utility regulation is a state matter, each state regulates its water public utilities differently. The Commission has the most comprehensive jurisdiction over both municipal and privately-owned water utilities in the upper Great Lakes region. State commission jurisdiction in the surrounding states varies from partial regulation of regional and privately-owned systems to a completely deregulated water industry. Some of the surrounding states have enacted more comprehensive water conservation programs than Wisconsin. The requirements in the surrounding states are described below.

Minnesota

Neither municipal nor investor-owned water utilities are subject to Minnesota Public Utilities Commission oversight. Instead, rates and charges are subject to the oversight of the local municipal or regional governing body. Nonetheless, Minnesota statutes require each water utility serving more than 1,000 people to adopt a water rate structure by 2013 that promotes conservation, including seasonal rates, time of use rates, water budget rates, excess use rates, or inclining block rates. Water utilities are also required to provide educational information about water conservation to their customers. The Minnesota DNR also recommends that utilities meter all customer usage and conduct a water audit, and implement a leak detection and repair program if unaccounted for water is greater than 10 percent of pumpage.

Illinois

The Illinois Commerce Commission (ICC) regulates investor-owned utilities, including 33 water, 5 sewer, and 14 combined water and sewer utilities. Municipally owned utilities are not regulated by the ICC. Communities that are served by Lake Michigan,

including the City of Chicago and many suburbs, are subject to special requirements known as the Lake Michigan Water Allocation Program, which authorizes the Illinois DNR to manage the allocation of water among regional organizations and municipalities. These requirements include water conservation as a condition of their allocation permit and are intended to fulfill the state's requirement under a U.S. Supreme Court Decree. The requirements include metering for all new construction and remodeling; reducing unaccounted-for water to less than 8 percent of annual pumpage; establishing ordinances for water-saving fixtures; adopting water rate structures based on metered usage and which discourage excessive use; and restricting non-essential outdoor usage.

Iowa

The Iowa Utilities Board regulates investor-owned water utilities but not municipally owned water utilities. The Iowa DNR may, in any permit granted to a community public water supply, include conditions requiring water conservation practices and require emergency conservation practices after notification by the department. Generally, water conservation practices are not required, although individual permits may have conservation requirements added to them by the state.

Michigan

The Michigan Public Service Commission does not regulate water utilities. Michigan does not have other water conservation requirements for public water utilities outside of its responsibilities under the Great Lakes Compact.

Indiana

The Indiana Utility Regulatory Commission (IURC) regulates the rates, terms, and conditions of service for both municipal- and investor-owned water and wastewater utilities. However, all municipal utilities and investor-owned wastewater utilities serving fewer than 300 customers can opt out of IURC regulation. Indiana does not have other water conservation requirements for public water utilities outside of its responsibilities under the Great Lakes Compact.

G. Effect on Small Business

The proposed rules will not affect small businesses. The s. 227.114(12), Stats., definition of "small business" states that to be considered a small business, the business must not be dominant in its field. Most water and sewer utilities are publicly owned and are not businesses. Further, water utilities and municipal combined water and sewer utilities are monopolies in their service territories, and therefore dominant in their markets.

H. Comments

Comments on this rule may be submitted as outlined in the Notice of Hearing.

I. Accommodation

The Commission does not discriminate on the basis of disability in the provision of programs, services, or employment. Any person with a disability who needs accommodations to participate in this rulemaking or who needs to receive this document in a different format should contact the Docket Coordinator, as indicated in the next paragraph, as soon as possible.

J. Agency Contacts

Questions regarding this matter, including small business questions, should be directed to Jeff Ripp, Water Conservation Coordinator, at (608) 267-9813 or jeffrey.ripp@wisconsin.gov. Media questions should be directed to Matt Pagel, Interim Director of Public Affairs, at (608) 266-9600. Hearing- or speech-impaired individuals may also use the Commission's TTY number: If calling from Wisconsin, (800) 251-8345; if calling from outside Wisconsin, (608) 267-1479.

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TEXT OF RULE

SECTION I. Chapter PSC 184 repealed and recreated to read:

Chapter PSC 184

**Construction of and Placing into Operation Facilities by Water Public Utilities and
by Municipal Combined Water and Sewer Public Utilities**

- PSC 184.01 Scope.
- PSC 184.02 Definitions.
- PSC 184.03 Activities requiring commission authorization.
- PSC 184.04 Applications for commission authorization.
- PSC 184.05 Commission procedures.
- PSC 184.06 Emergency work.

PSC 184.01. Scope. (1) APPLICABILITY. This chapter applies to a water public utility, as defined in s. 196.01(5)(a), Stats., a combined water and sewer public utility under s. 66.0819, Stats., and to any person, except a governmental unit, who furnishes services by means of a sanitary sewerage system.

(2) INDIVIDUAL SITUATIONS. Nothing in this chapter precludes the commission from giving individual consideration to exceptional or unusual situations or, upon investigation, from establishing requirements for a utility or service that are different from those provided in this chapter.

184.02 Definitions. In this chapter:

- (1) “Acquire”** means the acquisition of a unit of plant or mains in place and ready for operation, but does not include the purchase of materials or equipment for later installation.
- (2) “Certificate”** means a certificate issued by the commission under ss. 196.49 or 196.50, Stats.
- (3) “Commission”** means the public service commission.

- 1 (4) "Department" means the department of natural resources.
- 2 (5) "Municipality" means a city, village or town.
- 3 (6) "Plant" means all equipment, property, or facilities included in the utility plant accounts
4 under the uniform system of accounts prescribed by the commission.
- 5 (7) "Project cost" means the total estimated costs of a proposed project including land
6 acquisition, construction, pilot testing, test wells, inspection, and fees for professional services.
- 7 (8) "Service area" means the geographic area within which a utility has an obligation to provide
8 service.
- 9 (9) "Utility" means a water public utility, as defined in s. 196.01(5) (a), Stats., a combined water
10 and sewer public utility under s. 66.0819, Stats., or any person, except a governmental unit, who
11 furnishes service by means of a sewerage system.

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13 **184.03 Activities requiring commission authorization. (1) NEW UTILITY.** A person
14 intending to operate as a utility may not begin construction of, install, or place in operation any
15 facilities for furnishing water or sewer service in a municipality in which the person is not
16 currently furnishing water or sewer service as a utility without the commission's prior approval.

17 **(2) EXPANSION, ACQUISITION, AND INTERCONNECTION.** A utility shall obtain a
18 certificate from the commission before undertaking any of the following:

19 (a) Constructing facilities or initiating service in a municipality not currently served by the
20 utility.

21 (b) Constructing facilities or initiating service in an area that is currently served by another
22 utility.

23 (c) Acquiring or placing in operation existing plant from another person or utility.

1 (d) Establishing an interconnection with another utility with which it has no existing
2 interconnection.

3 (e) Combining or consolidating with another utility.

4 **(3) SEWER DEREGULATION.** A person shall receive commission approval before
5 deregulating utility sewer facilities. The commission shall hold a hearing on an application to
6 deregulate sewer facilities.

7 **(4) CONSTRUCTION OF FACILITIES.** (a) Except as provided in sub. (5), a utility shall
8 obtain a certificate from the commission before constructing, purchasing, installing, modifying,
9 replacing, or placing in operation any of the following projects, if the project cost exceeds
10 \$25,000:

11 1. Groundwater wells, surface water intakes, and other sources of water supply.

12 2. Water treatment, purification, and disinfection facilities.

13 3. Elevated tanks, reservoirs, and other storage facilities.

14 4. Pumping stations, pressure-reducing stations, and associated facilities.

15 5. Utility buildings.

16 6. A regional pipeline.

17 7. Sewer facilities, including any pumping facilities, sewage treatment and disposal plant.

18 (b) A utility shall obtain a certificate from the commission before constructing or purchasing, any
19 water or sewer project and associated plant not identified in par. (a) if the project cost exceeds
20 \$250,000 or 25 percent of the utility's gross water or sewer operating revenue received during
21 the previous calendar year, whichever is less.

22 **(5) EXEMPTIONS.** Unless a necessary component of a project under sub. (4) (a), a utility does
23 not need a certificate to do any of the following:

- 1 (a) Install, replace, or repair water mains, sewer mains, service laterals, hydrants, or valves
2 within the utility's service area.
- 3 (b) Install, replace, or repair meters or automated metering systems.
- 4 (c) Install, replace, or repair supervisory control and data acquisition (SCADA) systems,
5 telemetry equipment, or other electronic monitoring and control systems.
- 6 (d) Replace or repair existing pumps, motors, or associated equipment.
- 7 (e) Conduct routine maintenance or repair to utility facilities, including buildings used for utility
8 purposes.
- 9 (f) Replace or repair filtration media used in existing water treatment purification and
10 disinfection facilities.
- 11 (g) Install plant in accordance with filed extension rules and rates.
- 12 (h) Install plant in compliance with a commission order.
- 13 (i) Relocate or modify existing plant to accommodate highway or airport construction.

14

15 **184.04 Applications for commission authorization. (1) TIMING AND COST INCREASES.**

- 16 (a) For any project requiring commission authorization under s. PSC 184.03, a utility shall
17 submit the information required in this section at least 90 days, but no earlier than 2 years, before
18 beginning the project.
- 19 (b) For any project receiving commission authorization under s. PSC 184.05 that is not
20 completed within 2 years from the date of the authorization, a utility shall notify the commission
21 of revised project costs, the schedule for completion, and any other changes to the proposed
22 project. The commission may reconsider its authorization for a revised project under s. PSC
23 184.05.

1 (c) If the scope, design or location of a project receiving commission authorization under s. PSC
2 184.05 changes significantly, or if it is discovered or identified that the project cost, including
3 *force majeure* costs, may exceed the estimated project cost by more than 25 percent, the utility
4 shall promptly notify the commission as soon as the utility becomes aware of the possible change
5 or cost increase. The commission may reconsider its authorization for a revised project under s.
6 PSC 184.05.

7 **(2) CONSULTATION.** For projects subject to s. 196.025 (2m), Stats., before submitting an
8 application for a certificate, a utility shall consult with commission staff, in cooperation with
9 staff from the department, on the scope of the proposed project, the alternatives that must be
10 considered in the application, and additional information that the commission may require as part
11 of the application.

12 **(3) CONTENTS OF APPLICATION.** A person or utility seeking authorization for any activity
13 under s. PSC 184.03 (1) to (3) or a utility seeking a certificate under s. PSC 184.03 (4) shall
14 submit an application to the commission that includes all of the following, where applicable:

15 (a) A description of the project including all project components, phases, and a schedule of
16 construction.

17 (b) Information supporting the purpose and necessity of the project.

18 (c) An analysis and description of alternatives to the project.

19 (d) An analysis of the effect of the project on the quality and reliability of service.

20 (e) The project cost itemized by major plant accounts as identified in the uniform system of
21 accounts, including all administrative, overhead, engineering, legal, construction, and inspection
22 costs.

- 1 (f) Identification of the proposed project funding sources, including utility or municipal sources
2 and outside grants or loans. If the project will be financed, the utility shall include expected
3 financing rates and terms.
- 4 (g) An estimate of annual operating costs of the project, by major expense accounts as identified
5 in the uniform system of accounts.
- 6 (h) A description of any plant being retired or replaced and the year it was placed in service, if
7 known.
- 8 (i) A map showing the location of the project and all proposed facilities by Public Land Survey
9 System (PLSS) quarter-quarter section or by another methodology approved by the commission.
- 10 (j) A list of any permits or approvals required by other units of government and a statement
11 indicating whether the permits or approvals have been applied for or obtained.
- 12 (k) For a project under s. PSC 184.03 (4), information on any action the utility has taken to
13 mitigate the need for the project.
- 14 (L) Any other information relevant to the project requested by the commission.
- 15 **(4) ENVIRONMENTAL REVIEW.** A person or utility shall provide sufficient information in an
16 application under this section for the commission to determine environmental effects under
17 s. 1.11, Stats. For a project subject to ss. PSC 4.10 (1) or (2), a person or utility shall submit all
18 of the information required by the commission to prepare an environmental assessment or
19 environmental impact statement under ch. PSC 4.
- 20 **(5) GROUPING OF PROJECTS.** As an alternative to requesting prior authorization for each
21 project separately, a utility may submit on an annual basis a list of projects requiring approval
22 under s. PSC 184.03 (4) (a) that the utility intends to begin constructing within one year. For
23 each project on this list, the utility shall include the information required by this section.

1 **(6) APPLICATION SUBMITTAL.** A utility shall submit an application under this section using
2 the commission's Electronic Regulatory Filing (ERF) system.

3

4 **184.05 Commission procedures. (1) APPLICATION REVIEW.** (a) Except as provided in par.
5 (b), upon receipt of an application under s. PSC 184.03, the commission shall issue a notice of
6 investigation or proceeding. The commission may approve, modify and approve, or deny the
7 application.

8 (b) Upon receipt of an application from a utility for a proposed project under s. PSC 184.03 (4)
9 that has a cost of less than \$500,000, the commission may acknowledge receipt of the application
10 and accept the information for filing, in which case the utility may proceed with the construction
11 work.

12 **(2) TIME FOR REVIEW.** If no action is taken by the commission within 90 days after the
13 commission issues a notice of investigation under sub. (1) (a), the application is considered
14 approved.

15 **(3) HEARING.** The commission is not required to hold a hearing on a utility application for a
16 certificate unless any of the following apply:

17 (a) A statute or rule otherwise requires a hearing.

18 (b) The commission treats the application as a contested case, as defined in s. 227.01 (3), Stats.

19 (c) The proposed project requires the preparation of an environmental impact statement under s.
20 1.11, Stats.

21 (d) The commission determines a hearing is appropriate.

22

1 **184.06 Emergency work.** In case of an emergency, a utility may begin necessary repair work
2 without receiving prior commission authorization. The utility shall promptly notify the
3 commission of the emergency work and shall, within 30 days after commencing the work,
4 furnish the commission with the information required under s. PSC 184.04 (3).

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6 SECTION 2. Section PSC 185.12 (3e), (3m) and (3s) are created to read:

7
8 **PSC 185.12 (3e)** “Class AB utility” means a public utility that has 4,000 or more service
9 connections.

10 **185.12 (3m)** “Class C utility” means a public utility that has between 1,000 and 4,000 service
11 connections.

12 **185.12 (3s)** “Class D utility” means a public utility that has less than 1,000 service connections.
13

14 SECTION 3. Section PSC 185.12 (4m) is created to read:

15
16 **PSC 185.12 (4m)** “Commercial customer” means any business, not-for-profit organization, or
17 other institution that provides goods or services and that takes service for non-residential
18 purposes, except that multiple-family apartments and condominiums with three or more dwelling
19 units and that share service through a single water meter are classified as commercial.

20
21 **Note:** Churches, private schools, private colleges and universities, co-ops, and
22 associations are non-governmental entities and are considered commercial customers.
23

24 SECTION 4. Section PSC 185.12 (10e), (10m) and (10s) are created to read:

1

2 **PSC 185.12 (10e)** “Industrial customer” means a customer who is engaged in the manufacture or
3 production of goods.

4 **185.12 (10m)** “Irrigation” means the use of water to sustain crops, lawns, or landscapes,
5 including water used on athletic fields, parks, and golf courses.

6 **185.12 (10s)** “Irrigation customer” means any customer who has water service provided
7 primarily for irrigation and other outdoor uses. Irrigation customers may include persons who
8 have multiple meters installed on a single lateral for the purpose of measuring water that is not
9 discharged to the sanitary sewer system.

10

11 SECTION 5. Section PSC 185.12 (12m) is created to read:

12

13 **PSC 185.12 (12m)** “Non-residential customer” includes commercial, industrial, and public
14 authority customers.

15

16 SECTION 6. Section PSC 185.12 (17m) is created to read:

17

18 **PSC 185.12 (17m)** “Public authority customer” means any department, agency, or entity of the
19 local, state, or federal government, including a public school, college, or university.

20

21 SECTION 7. Section PSC 185.12 (20g) and (20r) are created to read:

22

1 **PSC 185.12 (20g)** “Residential customer” means any customer taking service for residential or
2 domestic purposes, except that multi-family buildings that house three or more dwelling units
3 and that are served by a single meter are classified as commercial unless otherwise specified by
4 tariff.

5
6 **185.12 (20r)** “Station meter” means any meter used to measure the volume or flow of water
7 within a utility’s distribution system and not used to measure customer use. Station meters
8 include any meter used to measure water pumped from groundwater wells, surface water intakes,
9 storage facilities, treatment facilities, and booster pumps.

10

11 SECTION 8. Section PSC 185.12 (22) is created to read:

12

13 **PSC 185.12 (22)** “Water conservation” means practices, techniques, and technologies that result
14 in a reduction of water use, water loss, or waste, or that improve water use efficiency.

15

16 SECTION 9. Section PSC 185.21 (intro.) is renumbered PSC 185.21 (1) (intro.).

17

18 SECTION 10. Section PSC 185.21 (1) (title) is created to read:

19

20 **PSC 185.21 (1) (title)** INCLUDED IN SCHEDULES.

21

22 SECTION 11. Section PSC 185.21 (2) is created to read:

23

1 **PSC 185.21 (2) RATES FOR WATER SERVICE.** (a) A public utility shall adopt general
2 service water rates that do all of the following:

- 3 1. Reflect the cost of service for each class of customer.
- 4 2. Include a fixed charge based on the size of the meter.
- 5 3. Include a volume charge based on actual customer consumption.

6 (b) A public utility may not adopt a rate under par. (a) if the commission finds that the rate is
7 discriminatory or otherwise not in the public interest.

8 (c) The commission may approve rates that promote efficient water use.

9

10 SECTION 12. Section PSC 185.22 (5) is renumbered PSC 185.22 (5) (a).

11

12 SECTION 13. Section PSC 185.33 (1m) is created to read:

13

14 **PSC 185.33 (1m)** A public utility that calculates its volume charges in units of cubic feet shall
15 include customer usage in both cubic feet and gallons on the customer bill or provide a formula
16 for converting usage in cubic feet to gallons on the customer bill. In lieu of providing the
17 information on the customer bill, a public utility may provide the information in a document
18 provided to each customer under sub. (1) (f).

19

20 SECTION 14. Section PSC 185.33 (2) is renumbered PSC 185.22 (5) (b) and, as renumbered,
21 amended to read:

22

23 **PSC 185.22 (5) (b)** Upon a residential customer request, the public utility shall provide
24 consumption information by billing periods for at least the last year and information and

1 instructions needed by the customer to make consumption comparisons to similar residential
2 customers in the same class and to evaluate water conservation efforts.

3

4 SECTION 15. Section PSC 185.815 is repealed.

5

6 SECTION 16. Section PSC 185.84 is repealed.

7

8 SECTION 17. Section PSC 185.85 is repealed and re-created to read:

9

10 **PSC 185.85 Water audits and water loss control. (1) DEFINITIONS.** In this section:

11 (a) “Apparent loss” means the volume of water attributable to customer and station meter
12 inaccuracies, billing and data transfer errors, unauthorized consumption, and theft.

13 (b) “Authorized consumption” means the volume of water used by metered and unmetered
14 customers and the volume of water used for other purposes that is implicitly or explicitly
15 authorized by the utility, including water used for flushing water mains and sewers, fire
16 protection and training, street cleaning, public fountains, freeze prevention, and other municipal
17 purposes regardless of whether the use is metered.

18 (c) “Non-revenue water” means the volume of water equal to the difference between the volume
19 of water entering the distribution system and the volume of water that is sold.

20 (d) “Real loss” means the volume of water attributable to leaks and losses in the pressurized
21 distribution system up to the customer meter, including water lost due to main breaks, service
22 breaks, and tank and reservoir overflows.

1 (e) "Revenue water" means the volume of water entering the distribution system that is billed
2 and for which the utility receives revenue.

3 (f) "Unaccounted for water" means the volume of water entering the distribution system for
4 which a specific use or purpose cannot be determined.

5 (g) "Water loss" means the difference between the volume of water entering the distribution
6 system and authorized consumption.

7

8 **Note:** Water loss equals the sum of real and apparent losses that are caused by
9 unauthorized consumption, meter inaccuracies, accounting errors, data processing errors,
10 leaks in transmission and distribution mains, leaks in service connections up to the
11 customer meter, seepage, overflow, evaporation, theft, malfunctioning distribution
12 system controls, and other unaccounted for water, as described in the American Water
13 Works Association M36 manual.

14

15 **(2) UTILITY PRACTICES.** Each public utility shall do all of the following:

16 (a) Meter all water uses and sales, where practicable.

17 (b) Maintain and verify the accuracy of customer meters.

18 (c) Maintain and verify the accuracy of station meters.

19 (d) Identify and repair leaks in its distribution system to the extent that it is cost-effective for the
20 public utility to do so.

21 (e) Control water usage from hydrants.

22 (f) Maintain a continuing record of system pumpage and metered consumption.

23 (g) Conduct an annual water audit.

1 (3) WATER AUDITS. (a) A public utility shall conduct an annual water audit on a calendar
2 year basis and submit the results of the audit to the commission in a format specified by the
3 commission no later than April 1 of each year.

4 (b) A public utility water audit shall include the measured or estimated volume of all of the
5 following:

6 1. Water purchased or pumped from all sources.

7 2. Water used in treatment or production processes.

8 3. Water entering the distribution system.

9 4. Water sold, including both metered and unmetered sales.

10 5. Water not sold but used for utility-authorized purposes, including flushing mains, fire
11 protection, freeze prevention, and other authorized system uses.

12 6. Water loss.

13 7. Unknown or unaccounted for water.

14 (c) The components of a water audit are shown as follows:

15

1
2

System Input Volume (Finished Water + Purchased Water)	Authorized Consumption	Billed Authorized Consumption	Billed Metered Consumption (including water exported, wholesale sales)	Revenue Water
			Billed Unmetered Consumption (Bulk water sales, utility uses)	
		Unbilled Authorized Consumption	Unbilled Metered Consumption	Non-revenue Water
			Unbilled Unmetered Consumption	
	Water Losses	Apparent Loss	Unauthorized Consumption (Theft, uncontrolled hydrants, etc.)	
			Metering Inaccuracies (Customer, station meters)	
			Data Handling Errors	
		Real Losses	Leakage on Transmission and Distribution Mains	
			Leakage and Overflows at Utility's Storage Tanks	
			Leakage on Service Connections (Up to point of customer meter)	

3

1 (3) WATER LOSS CONTROL. (a) Each public utility shall calculate its annual percentage of
2 non-revenue water and its percentage of water loss, based on the volume of water entering its
3 distribution system.

4 (b) A public utility shall submit to the commission a water loss control plan if a water audit
5 shows the public utility has any of the following:

6 1. A percentage of non-revenue water that exceeds 30 percent.

7 2. A percentage of water loss that exceeds 15 percent for a Class AB or Class C utility or 25
8 percent for a Class D utility.

9 (c) A water loss control plan under par. (b) shall include all of the following:

10 1. The reasons for the excessive non-revenue water or water loss.

11 2. A description of the measures that the utility plans to undertake to reduce water loss to
12 acceptable levels within a reasonable time period.

13 3. An analysis of the costs of implementing a water loss control program, including a comparison
14 of lost sales revenue and the costs that would be avoided by reducing leaks and losses.

15 4. Any additional information required by the commission.

16 (d) The commission may require a public utility to conduct a leak detection survey of its entire
17 distribution system if for three consecutive years the public utility's percentage of water loss
18 exceeds 15 percent for a Class AB and Class C utility or 25 percent for a Class D utility.

19

20 SECTION 18. Section PSC 185.87 is repealed.

21

22 SECTION 19. Section PSC 185.89 is created to read:

23

1 **PSC 185.89 Adequacy of Water Supply, Emergency Operations and Interruptions of**

2 **Service. (1) ADEQUACY OF WATER SUPPLY.** A public utility shall exercise reasonable

3 diligence to furnish a continuous and adequate supply of water to its customers.

4 **(2) EMERGENCY OPERATION.** (a) A public utility shall make reasonable provisions to meet

5 an emergency resulting from the failure of power supply or from fire, storm, or similar events. A

6 public utility shall inform its employees of procedures to be followed in an emergency to prevent

7 or mitigate the interruption or impairment of water service.

8 **(3) INTERRUPTIONS OF SERVICE.** (a) A public utility shall make all reasonable efforts to

9 prevent interruptions of service. If an interruption occurs, the public utility shall re-establish

10 service with the shortest possible delay, consistent with safety to its employees, customers, and

11 the general public.

12 (b) If an emergency interruption significantly affects fire-protection service, a public utility shall

13 immediately notify the fire chief or other responsible local official.

14 (c) A public utility shall make reasonable efforts to schedule planned interruptions at times that

15 minimize customer inconvenience. A public utility shall make reasonable efforts to notify

16 customers of the time and anticipated duration of a planned interruption.

17

18 SECTION 20. Section PSC 185.90 is created to read:

19

20 **PSC 185.90 Water Supply Shortage. (1) DECLARATION.** A public utility may declare a

21 water supply shortage if the public utility cannot adequately meet customer demand due to

22 drought, insufficient source capacity, or excessive demand.

1 (2) PLAN. A public utility may adopt a water supply shortage curtailment plan and file the plan
2 with the commission under s. PSC 185.21.

3 (3) APPLICABILITY. Unless a public utility has adopted a water supply shortage curtailment
4 plan under sub. (2), the provisions of this section apply.

5 (4) TEMPORARY CURTAILMENT. Except as provided in sub. (6), a public utility may
6 temporarily curtail water service to some or all of its customers during a water supply shortage, if
7 the curtailment is necessary to protect public utility facilities, to prevent a dangerous condition,
8 or to alleviate a condition that presents an imminent threat to public health, welfare, or safety.

9 (5) UTILITY RESPONSIBILITIES. If a public utility determines that it is necessary to curtail
10 service under this section, the public utility shall do all of the following:

11 (a) Make reasonable efforts to notify customers affected by the water supply shortage.

12 (b) Request all customers to enact voluntary water conservation measures to reduce water
13 consumption, including limiting irrigation and other non-essential uses.

14 (c) Implement any curtailment in an equitable manner that allows the public utility to maintain
15 reasonably adequate service to the greatest number of customers.

16 (d) Promptly restore service.

17 (6) APPROVAL TO CURTAIL ESSENTIAL USE CUSTOMERS. A public utility may not
18 curtail service to a customer under this section without the commission's prior approval if the
19 customer provides essential public health, welfare, or safety functions that require consistent
20 water service or if any of the conditions described in s. PSC 185.37 (8) (h), (8m), (9), or (10)
21 apply.

22 (7) REPORT. A public utility shall report to the commission within 7 days of declaring a water
23 supply shortage. The public utility shall include in the report the reasons for any curtailment, the

1 number of customers affected, the duration of the curtailment, and any other information
2 requested by the commission.

3

4 SECTION 21. Subchapter IX of chapter PSC 185 is created to read:

5

6 **Subchapter IX – Water Conservation and Efficiency**

7

8 **PSC 185.95 Definitions.** In this subchapter:

9 (1) “Net cost-effectiveness” means the extent to which a water conservation program or measure
10 is cost-effective, after being adjusted for all of the following:

11 1. The amount of water savings that would have been achieved in the absence of the water
12 conservation program or measure.

13 2. The amount of water savings directly attributable to the influence of the water conservation
14 program or measure but that is not specifically included in the program or measure.

15 (2) “Voluntary program” means a water conservation program that a public utility voluntarily
16 proposes for commission approval.

17

18 **185.96 Customer Education Requirements.** Upon a residential customer request, a public
19 utility shall provide information to the residential customer that may assist the customer in
20 reducing outdoor water use, repairing residential water leaks, and implementing other water
21 conservation measures. This information may be provided on the public utility’s web site.

22

23 **185.97 Voluntary Water Conservation Programs.** (1) REQUEST TO ADMINISTER OR
24 FUND A VOLUNTARY PROGRAM. (a) A public utility may file a request with the

1 commission to administer or fund one or more voluntary programs within its service area. A
2 utility requesting such a program shall provide all of the following information:

3 1. A description of the proposed program, including the target market, eligible measures,
4 delivery strategy, marketing and communications strategy, incentive strategy, and potential
5 market effects for programs that include rebates or other financial incentives.

6 2. The proposed annual program budget, including administrative costs, and source of funding.

7 3. Annual and multi-year performance targets that are consistent with commission goals and
8 policies.

9 4. A portfolio and program level net cost-effectiveness analysis.

10 5. A description of the public utility's proposed tracking and reporting system.

11 6. A description of the public utility's proposed evaluation, measurement, and verification plan.

12 7. A description of how the public utility will coordinate its voluntary program with any
13 statewide water conservation programs.

14 8. Any other information the commission requests.

15 (b) A public utility may not administer or fund a voluntary program that provides rebates or other
16 direct financial incentives to its customers for water efficient products or services without the
17 commission's approval.

18 **(2) APPROVAL OF VOLUNTARY PROGRAMS.** (a) The commission shall consider each of
19 the following when deciding whether to approve a voluntary program:

20 1. Whether the program is in the public interest.

21 2. The likelihood the public utility will achieve its program goals.

22 3. The inclusion of appropriate water conservation measures.

23 4. The adequacy of the proposed budget.

1 5. The net cost-effectiveness of the program.

2 6. The adequacy of the public utility's evaluation, measurement, and verification plan.

3 7. The level of coordination with any statewide water conservation programs.

4 (b) Unless the voluntary program is included in a general rate proceeding, the commission shall
5 issue its decision to approve, deny, or modify a proposed voluntary program in writing within 40
6 working days after receiving the proposal. If the commission denies or modifies a proposed
7 voluntary program it shall explain its reasons for the denial or modification. If the commission
8 denies a voluntary program, the public utility may revise and resubmit a request for approval of a
9 voluntary program at any time.

10 **(3) MODIFYING OR DISCONTINUING A VOLUNTARY PROGRAM.** A public utility may
11 request that the commission authorize the modification or discontinuation of a voluntary program
12 at any time. A public utility may not modify or discontinue a voluntary program without
13 commission approval.

14 **(4) RETURN OF FUNDS.** The commission may require a public utility to return any unspent
15 funds collected for a voluntary program approved under this section to its ratepayers.

16 **(5) ANNUAL REPORTS.** A public utility receiving commission approval for a voluntary
17 program under this section shall submit an annual report to the commission no later than April 1
18 each year. The report shall be in a format specified by the commission and shall include all of
19 the following:

20 (a) A summary of program activities in the previous calendar year.

21 (b) An itemized accounting of administrative and program costs.

22 (c) The program balance or deficit at the end of the year.

23 (d) Estimated water savings attributable to the program, by customer class.

1 (e) The number of customers receiving rebates or other incentives.

2 (f) Estimated non-water benefits, including energy savings.

3 (g) Other performance metrics identified by the public utility.

4 (h) Any other information requested by the commission.

5 **(6) AUDITS AND VERIFICATION.** The commission may conduct an audit, or contract with an
6 independent third-party evaluator to conduct an audit, to verify the performance of a public
7 utility's voluntary program. The public utility shall pay for the costs of the evaluation, as
8 determined by the commission.

9

10 (End)

Session 2011			
<p style="text-align: center;"> <input checked="" type="checkbox"/> ORIGINAL <input type="checkbox"/> UPDATED <input type="checkbox"/> CORRECTED <input type="checkbox"/> SUPPLEMENTAL </p> <p>FISCAL ESTIMATE DOA-2048 N(R10/96)</p>	<p>LRB or Bill No./Adm. Rule No. PSC 184 and 185</p> <p>Amendment No. if Applicable</p>		
Subject Revision to Administrative Rules Pertaining to Water Utilities			
Fiscal Effect			
<p>State: <input checked="" type="checkbox"/> No State Fiscal Effect</p> <p>Check columns below only if bill makes a direct appropriation or affects a sumsufficient appropriation.</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;"> <input type="checkbox"/> Increase Existing Appropriation <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriation <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Create New Appropriation </td> <td style="width: 50%; border: none;"> <input type="checkbox"/> Increase Costs - May be possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs </td> </tr> </table>		<input type="checkbox"/> Increase Existing Appropriation <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriation <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Create New Appropriation	<input type="checkbox"/> Increase Costs - May be possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs
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Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S	Affected Ch. 20 Appropriations		
Assumptions Used in Arriving at Fiscal Estimate			
<p><u>State Fiscal Effects</u></p> <p>There are no estimated state fiscal effects from the proposed changes to administrative rules for water utilities under PSC 184 and 185.</p> <p>The proposed changes primarily implement water conservation and efficiency measures, as directed under Wisconsin State Statute s. 281.346 (8), in a way that is consistent with PSC's current authority under Chapter 196, Wis. Stats. The proposed revisions clarify current rule requiring water utilities to minimize water losses by specifying the timeline and method for measuring water loss, establish a water loss threshold above which a utility must submit a water loss control plan to the Commission, and require water utilities to establish uniform or inclining volumetric rates for residential customers that reflect the cost of service for this customer class. Also, the proposed rules allow a water utility to implement a voluntary water conservation program that includes customer rebates or other financial incentives to customers after the utility has received Commission approval.</p> <p>In addition, the proposed changes renumber rules on adequacy of water supply, emergency operations and interruption of service; clarify current rule by specifying steps utilities must take to prevent and minimize interruptions; and require utilities notify the Commission after an emergency curtailment of service. The proposed changes simplify rules regarding review of construction projects, for example, by identifying projects explicitly exempt from review, and the proposed changes increase the typical construction project review period, from 60 days to 90 days.</p> <p>The proposed change to establish class-based volumetric rates has no state fiscal effect. Water utilities routinely request the Commission review rate changes, and this change is not expected to increase the Commission's workload.</p> <p>The revisions regarding water loss reporting also have no state fiscal effect. Commission staff currently track and analyze water loss as reported by utilities in their annual reports, but these data have been inconsistent. The rules would improve reporting consistency by adopting current water industry standards, practices, and terminology as recommended by the American Water Works Association (AWWA). The new reporting requirements and control</p>			

plans will streamline analysis of utility water loss and reduce the need for Commission action addressing water loss. Potential Commission review of voluntary water conservation programs will be new workload for state staff, but the workload is not expected to be significant such that it cannot be absorbed within current operations.

Commission review of reports from water utilities on emergency interruptions in water service will also not result in a net change to state staff workload. Workload associated with review of reports is offset by saved workload in investigating service interruptions after complaints have been filed with the Commission.

And finally, proposed changes that exempt some construction projects from review and increase the review period may reduce overall Commission review time and allow staff to focus on larger and more significant projects that have an impact on ratepayers. Under the proposed changes, the Commission will also review more applications for utilities to serve municipalities; but this increase in the number of reviews may not entirely offset the savings due to review exemptions.

Local Fiscal Effects

Some local governments will have increased costs in the short term under the proposed rules, but these costs are anticipated to be offset in the long term through reduced operating costs and reduced infrastructure needs through water loss control and water conservation savings. If needed, local governments could offset increased costs in the short term through increased water rates.

All but six of the over 580 water utilities in the State of Wisconsin are municipally owned; and the local government costs are costs to municipal water utilities for complying with the proposed rules. Most of the proposed rule changes reflect currently accepted best practices for utilities. However, the proposed rules requiring water loss control plans and leak detection surveys may result in new costs in the short term for water utilities. It is estimated that 15% to 20% of municipal water utilities have water loss levels that would require development of a water loss control plan and, potentially, a leak detection survey. These are new activities required under the proposed rule, and the potential cost for these activities is not known at this time. However these costs would be offset in the long term through water conservation savings, i.e. avoidance of the cost to develop new water resources. In the short term, water utilities could offset increased costs through water rates.

Some municipal water utilities may see a small reduction in costs from the proposed changes to construction review rules. Utilities will avoid future costs of Commission review for construction projects that will be exempt from review under the proposed rules. Also, by increasing Commission review time for construction projects, Commission staff will have more time to communicate issues to utilities which will help municipal utilities avoid costs from a denial of a construction project. However, these potential savings will be offset somewhat by the requirement that a utility may not serve a new municipality without Commission authorization.

Fiscal Effects for Small Businesses

The proposed rules may benefit small businesses. The proposed rule allowing utilities to implement water conservation incentive programs, with Commission approval, will benefit small businesses that choose to adopt conservation measures. The proposed rule changes regarding service curtailments may also be beneficial by avoiding unplanned interruptions of service that can be costly to small businesses.

Long-Range Fiscal Implications

By implementing water conservation measures, the proposed rules will reduce costs in the long term not only for consumers, but also for the Commission and water utilities. Water conservation reduces water demand and the need to develop new water resources and to make capital investments in expensive wells, storage, and other facilities. Development of new water resources increases the cost of water service, resulting in increasing costs to ratepayers, and development of new water resources often requires new construction which requires Commission review,

creating costs for water utilities and the Commission. Any reduction in the amount of new water resource development needed in Wisconsin results in reduced long-term costs and will help mitigate future water rate increases.

Agency/Prepared by: (Name & Phone No.)

Anne Olson 267-9086

Authorized Signature/Telephone No.

Anne Olson 267-9086

Date

5/26/11