



**Utility Commission
Meeting Agenda
Wednesday, July 10,
2019 at 8:00 AM
Civic Center ED Lab**



	Page
1. CALL TO ORDER	
2. ROLL CALL	
3. ADOPTION OF AGENDA	
4. APPROVAL OF MINUTES	
a. Minutes 6-5-19	2 - 4
5. APPROVAL OF BILLS AND DISBURSEMENTS	
a. Check Register June 2019	5 - 7
6. PUBLIC COMMENT	
7. STRATEGIC PLAN	
a. Strategic Plan Memo-Strategic Plan	8 - 23
8. CONSIDERATION OF PROPOSED WATER & SEWER RATE CHANGES	
a. Proposed Water and Sewer Rates Memo-Proposed Water and Sewer Rate	24 - 42
9. ELECTRIC DEPARTMENT - TRUCK 36 REPLACEMENT	
a. Electric Department – Truck 36 Replacement Memo-Truck Replacement	43 - 44
10. COMMUNICATION AND MISCELLANEOUS	
11. ADJOURNMENT	

NEW RICHMOND UTILITY COMMISSION MINUTES

June 5, 2019

The regular meeting of the New Richmond Utility Commission was held on June 5, 2019 at 8:00 a.m. at the Civic Center.

Pat Becker called the meeting to order at 8:00 a.m.

Members Present: Bob Mullen, Mike Kastens, Gerry Warner, and Pat Becker. Dan Casey present via telephone conference call.

A motion was made by Mike Kastens to approve the agenda, seconded by Gerry Warner, and carried.

A motion was made by Gerry Warner to approve the minutes of the May 1, 2019 meeting, seconded by Bob Mullen, and carried.

A motion was made by Bob Mullen to approve May 2019 bills and disbursements, seconded by Gerry Warner, and carried.

Public Comment:

None

Election of Officers:

Bob Mullen moved to keep the existing officers for another term, no second. Gerry Warner nominated Mike Kastens for president, seconded by Pat Becker, motion carried. Pat Becker nominated Gerry Warner for secretary, seconded by Mike Kastens, motion carried.

Application for Sewer Adjustment – Nancy Gleason:

Rae Ann Ailts gave background information on a leak Nancy Gleason discovered on April 15, 2019, in her home. The leak occurred under the concrete slab in the main bathroom of the home. Ms. Gleason contacted the Utility requesting a refund of sewer charges for the excess water used due to the leak. On May 21, New Richmond Utilities received a request for sewer credit from Ms. Gleason in accordance with the application criteria of the Water Leak Sewer Adjustment Policy. On May 22, Pat Howell of the Water Department conducted an inspection of the home and verified that repairs were completed. He determined excess water did not go down a drain and would have been absorbed into the ground.

The Water Leak Sewer Adjustment Policy states “Only water pipe breaks (leaks) that develop inside of the building which do not add any volume of the water at the WWTP may be considered for a sewer adjustment. There will be no adjustment to the water portion of the bill.”

Ms. Gleason is requesting a sewer credit for her April 15 and May 15 billing. Average monthly usage for the account is 2,000 gallons. Based on the average usage, the April 15 billing has 5,000 gallons of additional water used equaling a sewer credit of \$29.75. The May 15 billing has 7,000 gallons of additional water used, equaling a sewer credit of \$41.65. A combined sewer credit based on 12,000 gallons of additional water used is \$71.40 (per 1,000 volume rate of $5.95 \times 12 = \$71.40$).

Bob Mullen moved to approve the sewer credit of \$71.40, seconded by Gerry Warner, motion carried.

Approval of 2018 CMAR Report and Resolution:

Pursuant to Chapter 208 of the Wisconsin Administrative Code, all wastewater treatment facilities must submit an annual report to the Wisconsin DNR, referred to as the Compliance Maintenance Annual Report (CMAR). The CMAR evaluates the wastewater treatment system for potential problems or deficiencies. Management, operation, and maintenance activities are covered, as well as compliance with permit requirements. Around April 30 of each year, the DNR makes electronic CMAR forms available for the previous calendar year. The Utility Commission is required to pass a resolution that verifies it has reviewed the CMAR and authorizes the WWTP Operator to submit the report. Steve Skinner stated there was nothing out of compliance for 2018. Pat Becker moved to approve Compliance Maintenance Resolution 06052019, seconded by Bob Mullen, motion carried.

1Q19 Financial Report:

Joel Enders presented analysis of first quarter 2019 financial results.

Water and Sewer Study Update:

Rae Ann Ailts provided an update and reviewed the timeline for the water and sewer rate study. Letters were mailed to all ratepayers for the open house. Open house is scheduled for June 5th and June 19th at 6:00 pm in the Council Chambers, located in the Civic Center. Individual meetings will

take place with the largest ratepayers. In July there will be a presentation by Trilogy regarding the proposed rate structure.

CTH GG Water main Design Contract:

St. Croix County has plans to reconstruct CTH GG from 140th Street to 150th Street in 2020. The City does not currently have water main in this location to serve the Peninsula Heights subdivision, which is served only through an easement from Wood Duck Lane. The water main to this subdivision should be looped to provide reliability and redundancy in service, and the timing with the county's project would allow the City to install the main without the need for roadway restoration.

Because of all these factors, this project has been included in the Capital Improvement Plan for 2020. Based on the funding sources for the County's project, the design plans for our project will need to be completed by the end of the year. Staff has requested and received a proposal from SEH for design of this project for a cost of \$23,500.00. Gerry Warner moved to approve the proposal from SEH for the design of STH GG water main, not to exceed \$23,500.00, seconded by Bob Mullen, motion carried.

Department Reports

Jeremiah Wendt, Director of Public Works:

- Water leak on Knowles avenue on Monday by the Smoke Shop & Apple Blossoms, this was not a main line but was a copper service line. Tjader Highstrom was able to bore a new copper line into the building. Water department was commended on their quick response, great communication, and repair of the water leak.
- Park Art Fair is June 7th & 8th at Mary Park.
- Commemorative event in memory of the 120th Anniversary of the 1899 Cyclone will take place on June 12th with the planting of the 117th tree.
- Kyle Wells & GIS department put together an 1899 Cyclone story map for the website.

Steve Skinner, Lead Wastewater Treatment Plant Operator:

- Performed some minor repairs on air compressor in the digester building.
- One of the boiler heat exchangers corroded during the winter and started leaking water. Countryside Plumbing replaced the heat exchanger.
- School presentations are wrapping up. Steve was invited back another year for career day.
- New DNR basin engineer stopped by and introduced himself, and toured the WWTP.
- Still sampling ammonia, last month results were good, two weeks ago went way up. Staff are focusing on the Industrial Park where the reading is the highest.
- Still trying to set up a meeting with state legislators concerning the DOT hauling of bio solids.

Bob Meyer, Water Superintendent:

- Have a high volume of diggers hotline locates from homeowners and contractors.
- Quality Flow was given the approval to proceed with the Fox Run Lift Station upgrade.
- Water main flushing continues.
- Finished the Emergency Response Plan with the assistance of the office staff.
- Water presentations took place at New Richmond Schools during the month of May.
- Two employees assisted Xcel Energy in Deer Park on Saturday with issues affecting a lift station.
- Ice pigging of the water mains will begin on June 14th. Letters were mailed, and door hangers will be used for notifying affected residents.
- DNR water tower inspections are scheduled for June 24th.

Weston Arndt, Electric Superintendent:

- Growth Strategy Meeting – A meeting with WPPI Energy and Krause Power Engineering was held on Thursday May 2.
- Pole testing – 1/3 of the wood poles on our system were tested in 2018. The poles tested were south of East First St and east of South Knowles. 2019 pole testing will shift to west of South Knowles. We expect similar results as we received in 2018.
- MEUW – Annual Meeting Highlights.
 - 5G - FCC pole attachment process.
 - Mutual Aid and emergency preparedness.
 - Technology – Electric Vehicles and Battery Storage impact on the industry.
 - Workforce – Youth Apprenticeships.
- WPPI Energy Board of Directors Meeting
 - Updates on technology and services.
 - Power Supply Discussion – Carbon Emission Goals

- Wholesale rates in 2020 – Aligning cost allocation with rate design – Utilize peak, super-peak, off-peak, super-off-peak and seasonal rate differentiations.
- MEUW Arc Flash Training in River Falls – May 30.
- Reconductor a section of overhead line on East First St due to the load growth east in the Fox Run and Whispering Prairie developments – June 5 – about 8 customers – Park to Greateon.
- Monette – Finish system improvements the week of June 10. Outage notification was sent to about 63 customers, estimated outage time of 3 hours.
- Rustic Ridge – project will be completed this summer.
- Knowles sub – 5 year maintenance – Substation outage the week of June 10.
- A WPPI Energy Distribution Services Advisory Group Meeting is planned for June 11.
- On June 19, MEUW will be onsite for electric safety training.

Stacie Running, WPPI ESR:

- Focus on Energy
 - Incentives paid January-May, 2019 = \$22,779
 - Additional \$18,000+ in applications in process
 - 657 customer incentives paid
 - 418,123 first year kWh savings
 - 5,893,939 kWh lifecycle savings
- WPPI/New Richmond Utilities
 - Smart Energy Provider application submitted to APPA.
 - Public Power Day of Giving
 - Two donations (\$250 each) will be made to local charities:
 - Rise New Richmond
 - Happy Kids Backpack
 - Lakeside Foods Sustainability Award will be delivered today.
 - Researching costs associated with Public Electric Vehicle Charging Station.
 - 130th Anniversary Celebration Committee formed; ideas brainstormed.

Rae Ann Ailts, Finance Director:

- PSC billing audit in progress, waiting for feedback.
- Work continues on the water & sewer rate study.
- Office busy with move ins & move outs.
- Winter moratorium over – electric disconnects have begun.
- Continue to work with customers on payment options.
- Implemented payment arrangements within NorthStar software.
- Capital Improvement Plan in 2019 includes funds for implementing a new financial software program. A first assessment phase began in April with EO Johnson assessing the number of software systems currently being used throughout the City. The goal is to reduce the twenty seven software systems currently being used.
- June council meeting will bring forward the 2nd phase of the financial software, which will include different solutions to determine what program would be best to move forward with.

Mike Darrow, Utility Manager:

- RAVE alert system was utilized in notifying customers impacted by the water break.
- Budget process has begun.
- City's first paper newsletter mailed out this week to residents. Currently looking at options for people to opt out or subscribe electronically to the newsletter.
- Library project begins June 18th with the community conversation.
- Performing interviews with developers for the Beebe project later in the week.
- Busy summer with projects and development.

There being no further business, Gerry Warner motioned to adjourn, seconded by Bob Mullen, and carried. The meeting adjourned at 9:00 a.m.

Mike Kastens, President

Gerry Warner, Secretary

New Richmond Utilities

JUNE 2019 Check Register

Check #	Date	Amount	Vendor Name	Description
002448	6/6/2019	13,363.63	US BANK CORPORATE PAYMENT SYSTEM	WWTP MAY PCARD INV
002449	6/7/2019	63,912.19	CITY OF NEW RICHMOND	PAYROLL 6-7-19
002450	6/19/2019	26,840.58	WI DEPT OF REVENUE	MAY19 SALES TAX
002451	6/13/2019	19,560.00	LOCAL GOVERNMENT INVESTMENT POOL	MAY19 IMPACT FEES & SAC COLLEC
002452	6/14/2019	51,125.00	LOCAL GOVERNMENT INVESTMENT POOL	LGIP#5, 8, & 10 JUN INVESTMENT
002453	6/14/2019	88,420.00	LOCAL GOVERNMENT INVESTMENT POOL	LGIP#7, 9 & 11 JUN INVESTMENTS
002454	6/13/2019	5,964.70	CITY OF NEW RICHMOND	INSURANCE
002455	6/13/2019	5,000.00	CITY OF NEW RICHMOND	RENT
002456	6/13/2019	25,572.35	CITY OF NEW RICHMOND	STORM WATER
002457	6/13/2019	18,183.49	CITY OF NEW RICHMOND	RECYCLING
002458	6/13/2019	7,965.56	CITY OF NEW RICHMOND	MONTHLY BILL
002459	6/13/2019	683.00	COMMERCIAL TESTING LABORATORY	BOD, PHOSPHOROUS
002460	6/13/2019	622.00	HYDRODESIGNS	CROSS CONNECT INSPECT & REPORT
002461	6/13/2019	100.02	JON EVANS	REIMBURSE FUEL JET TRUCK
002462	6/13/2019	5,850.32	NEW RICHMOND UTILITIES	MAY CTOC COLLECTIONS
002463	6/13/2019	7,146.68	TELEMETRY AND PROCESS CONTROLS	AUTO DIALER CHANNEL EXPANSION
002464	6/13/2019	26.00	WISCONSIN STATE LAB OF HYGIENE	FLUORIDE
002465	6/28/2019	515,391.35	WISCONSIN PUBLIC POWER INC	MAY PURCHASED POWER
002466	6/11/2019	1,413.19	SPEEDWAY	MAY GAS BILL
002467	6/21/2019	62,460.89	CITY OF NEW RICHMOND	PAYROLL 06/21/19
002468	6/25/2019	45.91	CITY OF NEW RICHMOND	LIFE INSURANCE
002469	6/25/2019	21,333.17	CITY OF NEW RICHMOND	HEALTH INSURANCE
002470	6/25/2019	106.25	CITY OF NEW RICHMOND	BENEFIT EXTRAS MO FSA, HRA ADM
002471	6/25/2019	666.64	CITY OF NEW RICHMOND	EMPLOYER HSA CONTRIBUTION
002472	6/25/2019	369.67	CITY OF NEW RICHMOND	SHORT TERM DISABILITY
002473	6/25/2019	451.71	CITY OF NEW RICHMOND	LONG TERM DISABILITY
002474	6/25/2019	45,675.00	CITY OF NEW RICHMOND	TAX EQUIVALENT
002475	6/25/2019	195.00	COMMERCIAL TESTING LABORATORY	COLIFORM BACT
036317	6/6/2019	296.53	DIVISION OF ENERGY, HOUSING & COMMUNI	REFUND EA 1300500-27 LOVE
036318	6/6/2019	120.09	DIVISION OF ENERGY, HOUSING & COMMUNI	REFUND EA 110700-27 SCHMITZ
036319	6/6/2019	191.00	NEW RICHMOND UTILITIES	EA DRAWBACK 1449600-40 SABBY
036320	6/7/2019	208.38	BALDWIN TELCOMM	MAY PHONE BILL
036321	6/7/2019	250.45	VERIZON WIRELESS	MAY CELL PHONE
036322	6/13/2019	0.00	STUB CHECK	AMERIPRIDE SERVICES INC
036323	6/13/2019	1,395.18	AMERIPRIDE LINEN & UNIFORM SERVICES	ELECTRIC DEPT UNIFORM SERVICE
036324	6/13/2019	1,560.00	BAKER TILLY VIRCHOW KRAUSE LLP	FINANCIAL STATEMENT AUDIT
036325	6/13/2019	5,640.00	BORDER STATES ELECTRIC SUPPLY	METERS C1SR
036326	6/13/2019	1,587.70	CORE & MAIN LP	OMNI METER
036327	6/13/2019	490.68	COUNTRYSIDE PLUMBING & HEATING	BACKFLOW INSPECTION WELL#6
036328	6/13/2019	111.12	CRESCENT ELECTRIC SUPPLY COMPANY	RIBBON RED WARNING
036329	6/13/2019	200.00	DARREN O'FLANAGAN	SAFETY BOOTS
036330	6/13/2019	6,555.54	DUKE'S ROOT CONTROL, INC	PIPE SEWER ROOT CONTROL
036331	6/13/2019	4,770.49	FRESCO INC	BRONZE T BASES
036332	6/13/2019	332.54	FRONTIER COMMUNICATIONS	MAY PHONE BILL
036333	6/13/2019	232.89	GRAINGER	OVERLOAD RELAY 10 TO 16A
036334	6/13/2019	250.00	HAPPY KIDS BACKPACK PROGRAM	CHARITABLE DONATION
036335	6/13/2019	5,357.00	STUART C IRBY CO	GROUND ROD
036336	6/13/2019	729.01	KWIK TRIP	FUEL
036337	6/13/2019	215.05	MID-AMERICAN RESEARCH CHEMICAL	WIPE OUT 25# BAG
036338	6/13/2019	2,697.00	MSA PROFESSIONAL SERVICES INC	WWTF UPGRADE DESIGN
036339	6/13/2019	88.18	MY RECEPTIONIST, INC	ANSWER SVC MAY 29-JUN 25
036340	6/13/2019	166.45	RESCO	TAPE VINYL BLACK
036341	6/13/2019	250.00	RISE NEW RICHMOND	CHARITABLE DONATION
036342	6/13/2019	780.00	SCHMITT & SONS EXCAVATING, INC	BACKHOE 939 QUAIL RUN
036343	6/13/2019	2,761.47	SHORT ELLIOTT HENDRICKSON INC	2019 ANTENNA PROJECTS
036344	6/13/2019	1,980.00	TRILOGY CONSULTING, LLC	2018 UTILITY RATE STUDY
036345	6/13/2019	219.32	WASTE MANAGEMENT OF WI-MIN	ELECTRIC DEPT GARBAGE SVC
036346	6/13/2019	22.93	WESTON ARNDT	REIMB WPPI BOARD MTG, SAFETY
036347	6/13/2019	30,985.81	WEST CENTRAL WIS BIOSOLIDS FAC	MAY BIOSOLIDS
036348	6/13/2019	152.38	WESCO RECEIVABLES CORP	NORDIC AB-2
036349	6/13/2019	5,578.17	DNR	2019 ENVIRONMENTAL FEE
036350	6/13/2019	45.00	WISCONSIN RURAL WATER ASSN	WATER INDUSTRY PROF RENEWAL
036351	6/13/2019	823.46	JASON LANGER	CR REF ACCT# 1483800-20
036352	6/18/2019	50.00	DNR	EXAMS-G HERMANSEN
036353	6/25/2019	3,174.00	ACTION BATTERY WHOLESALERS	SPILL CONTAINMENT TRAYS
036354	6/25/2019	101.83	BEN & ALICIA WANLESS	CR REF ACCT# 1121100-25
036355	6/25/2019	2,995.55	BORDER STATES ELECTRIC SUPPLY	STANDOFF, PED CONNECTOR, WIRE

036356	6/25/2019	182.90	BRYAN A PETERSEN	CR REF ACCT# 1099200-22
036357	6/25/2019	56.32	DECLAN PROPERTIES LLC	CR REF ACCT# 310800-27
036358	6/25/2019	48.47	DERRICK HOMES	CR REF ACCT# 1039400-20
036359	6/25/2019	9.83	ERNIE SPINKS	CR REF ACCT# 703200-21
036360	6/25/2019	83.80	FORUM COMMUNICATIONS COMPANY	HYDRANT AD
036361	6/25/2019	36.73	GERALD THOE	CR REF ACCT# 330900-20
036362	6/25/2019	183.38	JASON A HAYDEN	CR REF ACCT# 905200-21
036363	6/25/2019	59.24	JAMES W BURKE	CR REF ACCT# 941600-26
036364	6/25/2019	85.18	JONATHAN R ROSENTHAL	CR REF ACCT# 206000-21
036365	6/25/2019	203.90	KEITH FEHRMAN	CR REF ACCT# 418800-20
036366	6/25/2019	642.35	KEVIN MELBY	CR REF ACCT# 1129500-20
036367	6/25/2019	149.34	MACKLYN HOMES LLC	CR REF ACCT# 1648900-20
036368	6/25/2019	102.49	MARY & DONALD RICHARDSON	CR REF ACCT# 1125200-26
036369	6/25/2019	85.64	MICHAEL SCHULTZ	CR REF ACCT# 1475500-20
036370	6/25/2019	82.71	NAOMI R HELGEVOLD	CR REF ACCT# 1242900-22
036371	6/25/2019	50.63	NICKALINE M WOLF	CR REF ACCT# 1614600-26
036372	6/25/2019	40.04	PAUL J MITCHELL	CR REF ACCT# 1000500-24
036373	6/25/2019	178.14	ROSS & JULIE JOHNSON	CR REF ACCT# 1061000-21
036374	6/25/2019	14.41	SHAWN D & JESSICA C ARNESON	CR REF ACCT# 1465200-25
036375	6/25/2019	209.52	SHEILA M JACOBSON	CR REF ACCT# 1244000-21
036376	6/25/2019	48.04	SHELBY WEISKE	CR REF ACCT# 1601100-37
036377	6/25/2019	102.78	SHORT ELLIOTT HENDRICKSON INC	ANTENNA PROJECTS
036378	6/25/2019	477.54	STEWART TITLE	CR REF ACCT# 418600-21
036379	6/25/2019	27.95	WARREN SMALLIDGE	CR REF ACCT# 1108600-48
036380	6/25/2019	489.79	WATER CONSERVATION SERVICE INC	LEAK LOCATE
036381	6/25/2019	37,639.26	WEST CENTRAL WIS BIOSOLIDS FAC	MAY BIOSOLIDS
036382	6/25/2019	750.00	WESCO RECEIVABLES CORP	SIGN, WARNING
036383	6/25/2019	215.14	WESTCONSIN TITLE SERVICES LLC	CR REF ACCT# 213300-20
036384	6/25/2019	635.64	COUNTRYSIDE PLUMBING & HEATING	DAVID SMITH- SEWER BACK UP
036385	6/25/2019	11,900.00	J & S GENERAL CONTRACTING	WATER LEAK KNOWLES AVE

Total **\$ 1,126,600.66**

Total Checks & Wires



MEMO

Prepared for: Utility Commission
Staff Contact: Mike Darrow, Administrator
Meeting: Utility Commission - 10 Jul 2019
Subject: Strategic Plan

BACKGROUND INFORMATION:

During the June work session, a presentation regarding strategic planning was presented to the City Council. Staff will provide an overview to the Utility Commission related to strategic planning including the mission, values and long-term goals of the City. Staff will also outline the planning process moving forward for the strategic plan.

Attached to this memo is the presentation provided to the City Council on the strategic planning process.

RECOMMENDATION:

No action is requested at this time.

ATTACHMENTS:

[Strategic Planning Presentation 2019.06.24](#)

NEW RICHMOND STRATEGIC PLAN PROCESS

JUNE 24, 2019

WHAT IS A STRATEGIC PLAN?



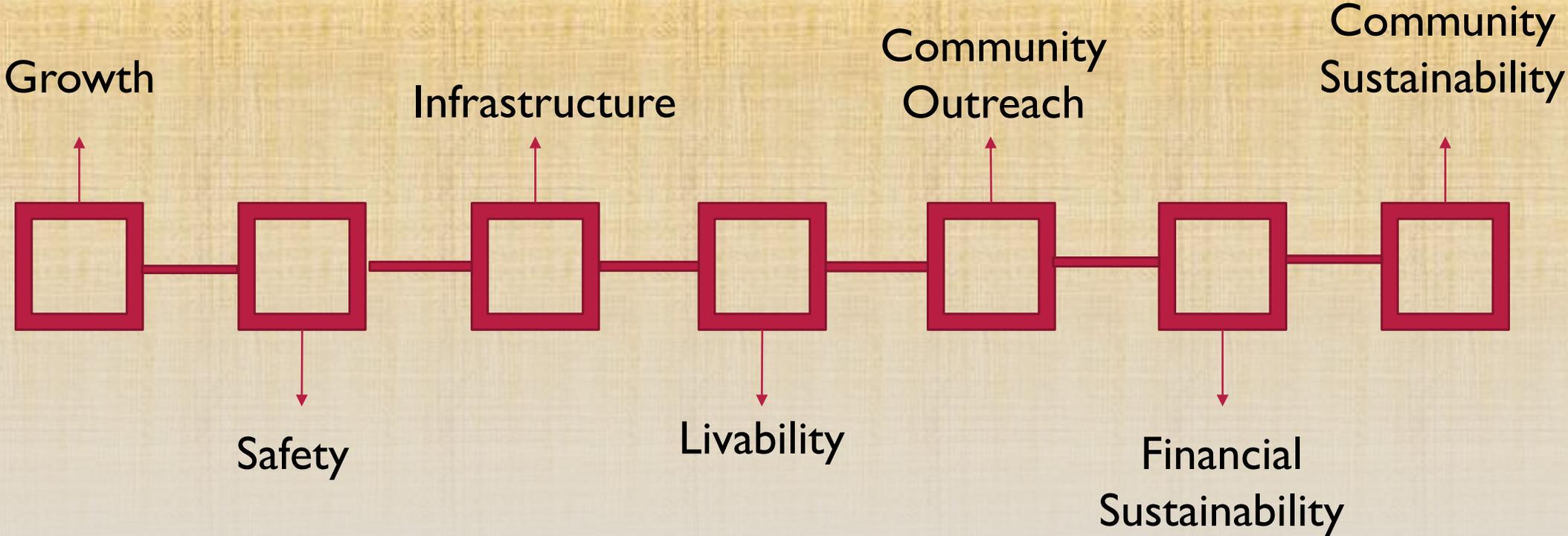
MISSION

The City of New Richmond's primary mission is to provide its citizens with reliable, efficient and economic public services.

CURRENT VALUES

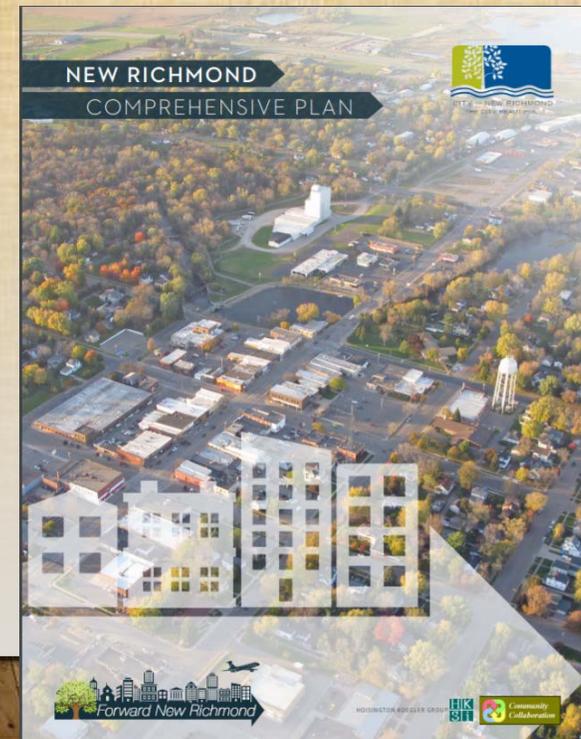
- Internal: We value Family-First and Safety-First policies for our employees and policy makers
- External: We value services that provide for the overall health, safety and general welfare of our community.

LONG-TERM GOALS



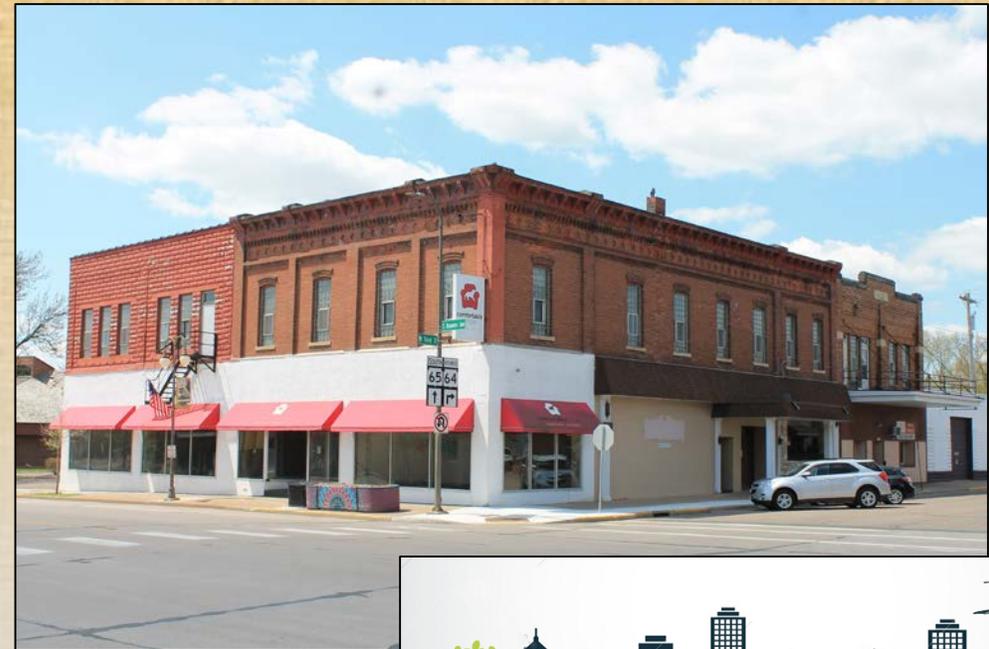
GROWTH

- Policy driven strategies
- Land Use Policies, Zoning and Subdivision Requirements, Comprehensive Plan
 - Comprehensive Plan Updated 2018
 - Zoning Updates (2020 Update)
- Collaboration with Townships
 - Annexation and Growth Discussions
- Boundary Agreements
 - Star Prairie



ECONOMIC DEVELOPMENT

- Private-Public Partnerships
- Creation of Forward New Richmond
- Partnerships with existing businesses (economic-gardening) to promote economic development
- Forward looking approach to new development through partnerships, regional initiatives and marketability



SAFETY

- Family first and safety first
- National and Regional Award winners for safety
- Student Resource Officer
- Technology Improvements



SRO – Aaron Anderson

INFRASTRUCTURE

- Adoption of a 5-year plan
- Complete Street Policies
- Utility Upgrades



125th Street



N 4th Street

LIVABILITY AND CULTURE

- Collaboration with School, Foundation and City (New Richmond Recreation Partnership)
- Park and Trails
 - New Richmond Bicycle & Pedestrian Master Plan
 - Freedom Park Capital Approval
 - Trail Expansion
 - Adopt a Park Process
 - Park Plan (Should be revised in 2020)
 - Master Plan Updates 2019
- Culture
 - Community events, Movie in the Park, Mayor's Reading Challenge



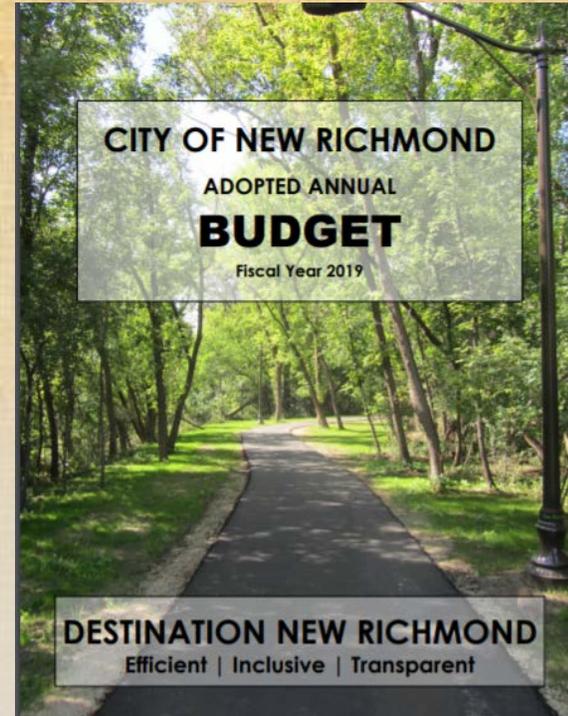
COMMUNITY OUTREACH

- New Richmond Way
- Community conversations
- Discussions outside of City Hall
- One-call/two clicks
- Promoting e-Commerce and technology advancements



FINANCIAL SUSTAINABILITY

- Policy-driven documents
- Transparency
- Debt Reduction
- Budget Book
- Community Process
- GFOA Standards



SUSTAINABILITY

- Green Tier Community
- Sustainability Account
- Community Solar Garden



ACTION PLANS

YEARLY OBJECTIVES



MEMO

Prepared for: Utility Commission
Staff Contact: Rae Ann Ailts, Finance Director
Meeting: Utility Commission - 10 Jul 2019
Subject: Proposed Water and Sewer Rates

BACKGROUND INFORMATION:

The last conventional water rate case brought before the PSC was in August of 2007, with simplified rate increases occurring in 2013 and 2014. Changes in sewer rates were last increased in 2012. Since then, population growth has increased overall demand while state and federal environmental regulations, aging infrastructure, and normal market inflation have increased current and future costs. Five-year capital improvement projections anticipate several large scale projects that are necessary to maintain current service levels or are required to meet changing state/federal environmental standards. For example, the wastewater treatment plant requires upgrades and replacement of core infrastructure in 2020-2021 to meet changing state regulations, increase capacity, and replace equipment that has reached the end of its useful life.

Recognizing these challenges, in May 2018 the Utility Commission authorized the issuance of an RFP seeking a firm that specialized in utility rate studies to independently examine water and sewer operations. In August 2018, Trilogy Consulting LLC was selected to perform a comprehensive water and sewer rate analysis and provide rate design recommendations. At the March 2019 Commission meeting, Trilogy presented preliminary findings and analysis. Over the following 60 days, the Utility Commission, Trilogy, and City staff evaluated and discussed rate design options based on cash flow impact, reserves, debt covenants, current and future capital needs, and financial sustainability. Attached to this memo is the executive summary of Water and Sewer Rate Study report prepared by Trilogy Consulting, LLC.

Following NRU's commitment to the New Richmond Way and "telling the story," staff initiated a public engagement program focused on explaining to customers why new rates are proposed and how they will be affected, including:

- Letters mailed to all impacted customers
- Two public open houses (6/5/19 and 6/19/19)
- Individual meetings with businesses most impacted by the proposed change
- Informational and educational materials posted to City/Utility websites and promoted via social media
- Bill message outlining impact of proposed rates

In June 2019, a joint Utility Commission and City Council meeting was held to review the key findings of the rate study. The key findings of the study were:

- Revenue has increased at a slower place than operational and maintenance expenses and debt service.
- Cash flow has been declining for sewer and fluctuating for water.
- Reserves are currently healthy but if rates are not addressed reserves will be depleted by 2024 and 2025.
- Outstanding debt and annual debt service remains low relative to operating revenue.
- Significant capital investment in the waste water treatment plant is needed to comply with state and federal environmental guidelines.

FINANCIAL IMPACT:

Water Rate - Proposed Rates

The proposed water rate structure would provide a benchmark rate of return of 5.40% (versus an approved 6.50% in 2008), and an overall revenue increase of \$366,000. The proposed rate structure would gradually draw down utility reserves to fund a portion of the capital improvement program while remaining at recommended healthy levels.

Under the proposed rate structure, the average household using 3,000 gallons per month would see an increase of \$5.35 per month (actual increase is dependent upon individual usage patterns, etc). Attached to this memorandum is a schedule of proposed water rates comparing current to proposed rates by classification and public and private fire protection.

Sewer Rate - Proposed Rates

The utility net rate base has decreased by \$140,278 since 2013. Under the proposed rate structure an overall revenue increase of \$236,748 is projected. The proposed rate structure utilizes utility reserves to fund a portion of the capital improvement program drawing reserves down to recommended levels.

Under the proposed rate structure, the average household using 3,000 gallons per month would see an increase of \$3.87 per month (actual increase is dependent upon individual usage patterns, etc.). Attached to this memorandum is a schedule of proposed sewer rates. Additionally, under the proposed rates, surcharge rates have been established to address any future industrial use which requires additional processing.

POLICY IMPLICATIONS:

Next Steps

Water Rates

Changes to water rates require authorization from the Utility Commission and City Council. Upon authorization staff and Trilogy Consulting, LLC will submit an application to the Public Service Commission (PSC) requesting the proposed rates. The PSC approves final rates. Approval by the PSC is anticipated in late 2019/early 2020, with rates becoming effective in 1Q20.

Sewer Rates

Changes to sewer rates require authorization from the Utility Commission in accordance with ordinance Section 86-34, in which the proposed rates will be established. The approval will be brought to the City Council during the August 12, 2019 regular council meeting. Proposed rates are anticipated to go into effect on November 1, 2019.

RECOMMENDATION:

Water Rate Recommendation

Staff recommend authorization to submit an application to the Public Service Commission of Wisconsin to request approval of the attached water rate schedule.

Sewer Rate Recommendation

Staff recommend approval of proposed sewer rate schedule as attached, with rates going into effect on November 1, 2019.

ATTACHMENTS:

[2019 New Richmond Utility Rate Study - FINAL 20190628 - Exec Summ](#)

[Proposed Water Rate Schedule](#)

[Proposed Sewer Rate Schedule](#)

Water and Sewer Rate Study

Executive Summary

Prepared for the

City of New Richmond

by Trilogy Consulting, LLC

June 2019



INTRODUCTION

The City of New Richmond owns and operates a water supply and distribution system, wastewater collection system and Wastewater Treatment Facility that provides water and wastewater service to over 3,700 customers within the City.

The City last applied for a conventional water rate case with the Wisconsin Public Service Commission (PSC) in August 2007. In February 2013 and July 2014, the City implemented PSC-approved simplified rate increases of 3.2 and 3 percent, respectively, which are reflected in the current water rates for the City. The City last increased wastewater rates in April of 2012.

Both utilities are planning on significant capital investment in ongoing water and sewer main replacements, upgrades to the Wastewater Treatment Facility, equipment replacement, and potential extension of infrastructure to serve new development. For these reasons, the City hired Trilogy Consulting to conduct a formal Water and Sewer User Rate Study. The study consisted of determining recommended user rates based on a detailed cost of service study for 2019, and cash flow projections, including future rate increases. A ten-year projection of user rates and cash flows was prepared to develop a plan to complete all necessary capital improvement projects and meet all debt requirements while maintaining the financial health of the utilities.

WATER RATE STUDY

SUMMARY

The results of the study indicate a 25.5 percent rate increase is required to fund the Utility's current operation expenses and provide some revenues for its capital improvement program over the next five years, as well as pay for debt service for major capital projects. Even with the increase, the Utility will need to rely somewhat on its cash reserves to completely fund its capital program. Of \$2.1 million in capital projects included in the study, \$1.2 million would be funded through debt, \$515,000 would be funded from existing reserves, with the remaining \$385,000 funded through current annual revenues. Currently, the City's water rates are below average among communities in New Richmond's surrounding area. Following the proposed increase, rates would be slightly above the average of regional communities' current rates. Several alternative rate structures were considered based on different methods of allocating costs. All alternatives were calculated to provide about the same overall amount of revenue.

HISTORICAL AND FORECAST CUSTOMER DEMANDS

The utility has experienced slight growth in most customer classes over the last several years, with a steady decrease in consumption from the public authority class. Additionally, while overall residential sales have increased slightly, this has been fueled entirely by growth in new customers, as residential water use per customer has been steadily declining. The trends for each customer class were analyzed separately to develop projections for 2019, resulting in a projection of 327,372,000 gallons of water consumption.

REVENUE REQUIREMENTS

The following table summarizes the revenue requirement proposal that was evaluated and discussed with City staff under the current PSC benchmark rate of return and compares it to the approved revenue requirements from the 2008 water rate increase. As shown, the increase in revenue requirements has outpaced the growth in user charge revenues. Under a benchmark rate of return of 5.40% (versus an approved 6.50% in 2008), an overall rate increase of \$366,000 would be projected for the 2019 test year, or an increase of about 25.5 percent over user charge revenues at current rates.

Category	2008	2019	Change 2008-2019	
Operation and Maintenance	\$643,077	\$1,089,884	\$446,807	69%
Depreciation Expense	\$156,693	\$225,390	\$68,697	44%
Taxes and Tax Equivalent	\$209,677	\$331,083	\$121,406	58%
Return on Net Investment Rate Base	\$301,052	\$296,929	(\$4,123)	-1%
Total	\$1,312,507	\$1,945,304	\$632,797	48%
Net Investment Rate Base	\$4,631,563	\$5,498,680	\$867,117	19%
Operating Revenues at Current Rates	\$1,310,499	\$1,577,161	\$266,662	20%
Required Increase in Revenues			\$366,135	
Percentage Increase in User Charge Revenues				25.5%

CASH FLOW PROJECTIONS

Key findings and recommendations regarding the Utility's current and projected financial status were as follows:

- The Utility's cash flow has fluctuated from negative to positive in recent years, and is expected to be negative in 2019, as the recommended rate increase is not expected to

take effect until next year. The majority of 2019 capital improvements will be funded by use of reserves.

- Utility reserve levels, at \$1.2 million of restricted reserves and \$2.0 million of unrestricted reserves, are currently above the recommended minimum amount of about \$1.4 million. However, without a rate increase, the reserves are expected to drop below the recommended minimum by 2022 and be completely depleted by 2024.
- Currently, debt as a percentage of total utility plant is quite low, at about 17 percent.
- The utility has potential utility-financed capital improvements totaling \$2.1 million, or an average of \$420,000 per year, planned for the period 2019-2023.
- An increase in user charge revenues of approximately 25.5 percent in 2019 and several additional 3 percent increases are needed to generate sufficient revenues to fund the expected level of expenses, the capital improvement program, and projected debt service while maintaining the cash reserves at the recommended level. Even with a rate increase, the utility will need to issue debt for an estimated \$1.2 million of its 5-year CIP.
- Under the recommended plan, the Utility's cash reserves would be drawn down gradually to fund a portion of the capital improvement program.

RATE STRUCTURE EVALUATION

Several alternative rate structures were designed and evaluated as part of this study. Each alternative would recover approximately the amount of revenues assigned to each customer class under the cost of service analysis. However, different rate structures would result in different impacts on customers of different sizes.

Currently, water rates are comprised of a 4-tiered volumetric rate for how much water is used monthly, where the 2nd and 3rd tier are decreasing, and the 4th is set at the same rate as the 2nd tier. Fixed monthly charges by meter size are charged for general service and public fire protection, with larger meter sizes being charged a higher rate. Irrigation meters are charged the regular rates for volume of water consumption, a lower fixed charge for general service, and no charge for public fire protection. Rate structure Alternative 1 keeps the same basic rate structure as is currently used, with the fourth rate tier equal to the same charge as the second tier. Alternative 2 maintains that same rate structure, but with the fourth rate tier equal to the first rate tier. Alternative 3 has the fourth rate tier as the highest of the tiers, with all irrigation and Lakeside usage charged the highest rate, in an effort to collect as close to 100 percent of the cost-of-service from each customer class. Alternative 4 is the same structure as Alternative 3, but collects 90 percent of the cost-of-service from Lakeside Foods. Public and private fire protection charges and fixed service charges would be the same under all four alternatives.

The following summarizes the water rate structures that were calculated under each method:

Public Fire Protection Charge

Connection Size	Current Charge	Proposed Charge	Percent Change
5/8	\$7.44	\$8.85	19%
3/4	\$7.44	\$8.85	19%
1	\$9.57	\$11.50	20%
1 1/4	\$12.75	\$15.00	18%
1 1/2	\$14.88	\$17.70	19%
2	\$22.32	\$26.50	19%
3	\$29.77	\$35.40	19%
4	\$37.20	\$44.20	19%
6	\$44.64	\$53.10	19%
8	\$52.09	\$61.90	19%
10	\$59.52	\$70.80	19%
12	\$66.97	\$79.60	19%

Private Fire Protection Charge

Connection Size	Current Charge	Proposed Charge	Percent Change
2-inch	\$6.00	\$6.00	0%
3-inch	\$10.00	\$10.00	0%
4-inch	\$15.00	\$17.00	13%
6-inch	\$33.00	\$33.00	0%
8-inch	\$45.00	\$53.00	18%
10-inch	\$60.00	\$80.00	33%
12-inch	\$75.00	\$117.00	56%
14-inch	\$90.00	\$133.00	48%
16-inch	\$105.00	\$180.00	71%

Service Charge

Connection Size	Current Charge	Proposed Charge	Percent Change
5/8	\$6.91	\$11.60	68%
3/4	\$6.91	\$11.60	68%
1	\$10.63	\$17.60	66%
1 1/4	\$14.35	\$23.20	62%
1 1/2	\$18.07	\$28.60	58%
2	\$28.70	\$42.70	49%
3	\$46.77	\$68.60	47%
4	\$72.29	\$103.30	43%
6	\$127.56	\$182.20	43%
8	\$201.96	\$275.90	37%
10	\$292.31	\$399.10	37%
12	\$382.67	\$522.30	36%

Service Charge - Irrigation Meters

Connection Size	Current Charge	Proposed Charge	Percent Change
5/8	\$3.25	\$6.40	97%
3/4	\$3.25	\$6.40	97%
1	\$5.00	\$10.80	116%
1 1/4	\$6.75	\$14.40	113%
1 1/2	\$8.50	\$18.20	114%
2	\$13.50	\$27.10	101%

			Rate per 1,000 gallons				
Rate Tier		Current	Alt. 1	Alt. 2	Alt. 3*	Alt. 4*	
FIRST	17,000 Gallons	\$2.44	\$2.35	\$2.31	\$2.02	\$2.19	
NEXT	150,000 Gallons	\$1.80	\$2.18	\$2.15	\$1.88	\$2.03	
NEXT	1,833,000 Gallons	\$1.47	\$1.79	\$1.76	\$1.54	\$1.66	
OVER	2,000,000 Gallons	\$1.80	\$2.18	\$2.31	\$2.64	\$2.37	

*Under Alternatives 3 and 4, all usage for Lakeside Foods and irrigation customers is at the highest rate per 1,000 gallons

Under Alternative 1, bill impacts for residential customers would be an increase of about 13 to 31 percent, with the average customer seeing a monthly increase of \$5.83 or 27 percent. Under Alternative 2, residential users would experience somewhat smaller increases, between 12 and 30 percent, as the volumetric rate would be decreased slightly more. Under Alternative 3, residential users would see a smaller increase yet, between 4 and 27 percent, with large

customers seeing the biggest benefit. Alternative 4 would result with an impact in the mid-range between the others, from 9 to 29 percent, based on usage.

Multi-family users' bills would increase by between 9 and 22 percent under Alternative 1, between 8 and 20 percent under Alternative 2, only by between 0 to 5 percent under Alternative 3, and from 5 to 13 percent under Alternative 4. Under each alternative the smallest customers in the class would see the lowest increase, with higher increases for customers that use more water.

Non-residential users' bills would vary depending on their amount of usage and the rate alternative. Under Alternative 1, bills would increase about 13 percent to 22 percent, with the largest increases generally seen by the largest water users. Under Alternative 2, bill impacts show a greater variety of rate increases, potentially ranging from about 12 percent up to 27 percent for the highest user. Alternative 3 increases this disparity of bills, with increases ranging from 3 to 36 percent. Again, Alternative 4 has impacts in between the others, with increases ranging from 8 to 27 percent. Irrigation customers would see similar impacts as non-residential customers under the three alternatives, although under Alternative 3 and 4, all irrigation customers would see higher increases than Alternatives 1 and 2.

COMMUNITY RATE COMPARISON

In order to provide context for the proposed rates for New Richmond, a comparison with the water user rates charged by other communities in the region was prepared for each of the alternative rate structures. The basis of the charges and the estimated total annual bill for a residential customer for each community are shown in the following tables. The bills are sorted from highest to lowest without public fire protection because several of the comparison communities do not collect some or all of the public fire protection through a direct customer charge, but through a municipal charge, so a comparison using fire protection is misleading. The level of rates of various utilities are due to a combination of factors and are also affected by the average amount of water sold per customer.

City of New Richmond
2019 Water and Sewer Rate Study Executive Summary

Comparison of Average Residential Bills with Regional Communities - Water Rates - Alternative 1

Community	Fixed Charge	PFP Charge	Bills per Year	Volume Rate	Annual Usage	Units	Annual Bill	Annual Bill w/PFP
Ashland	\$12.15	\$10.20	12	\$5.31	4,832	ft ³	\$402.39	\$524.79
Hammond	\$8.00	\$17.00	12	\$4.50	36,000	gallons	\$258.00	\$462.00
Wyoming, MN	\$34.52		4	\$2.852	36,000	gallons	\$240.75	\$240.75
Star Prairie*	\$17.10		4	\$4.75	36,000	gallons	\$239.40	\$239.40
New Richmond (proposed 2019)	\$11.60	\$8.85	12	\$2.35	36,000	gallons	\$223.80	\$330.00
Somerset*	\$8.70	\$3.14	12	\$3.04	36,000	gallons	\$213.84	\$251.52
Glenwood City*	\$24.00		4	\$3.00	36,000	gallons	\$204.00	\$204.00
Baldwin	\$18.54	\$18.00	4	\$3.16	36,000	gallons	\$187.92	\$259.92
Rice Lake	\$9.30	\$10.58	12	\$1.95	36,000	gallons	\$181.80	\$308.76
Osceola*	\$23.88		4	\$1.73	4,832	ft ³	\$179.12	\$179.12
Roberts*	\$15.45		4	\$3.19	36,000	gallons	\$176.64	\$176.64
New Richmond (current)	\$6.91	\$7.44	12	\$2.44	36,000	gallons	\$170.76	\$260.04
Menomonie	\$13.50	\$14.85	4	\$2.10	4,832	ft ³	\$155.48	\$214.88
Chippewa Falls	\$6.59	\$5.08	12	\$1.55	4,832	ft ³	\$153.98	\$214.94
River Falls	\$8.00	\$4.15	12	\$1.39	36,000	gallons	\$146.04	\$195.84
Amery	\$17.42	\$23.24	4	\$2.07	36,000	gallons	\$144.20	\$237.16
Hudson	\$14.25	\$15.60	4	\$1.55	4,832	ft ³	\$131.90	\$194.30
Lindstrom, MN	\$10.00		4	\$2.00	36,000	gallons	\$112.00	\$112.00
Average w/o New Richmond							\$195.47	\$251.00
Median w/o New Richmond							\$180.46	\$226.05

*Note: Charges part or all of public fire protection to the municipality.

Comparison of Average Residential Bills with Regional Communities - Water Rates - Alternative 2

Community	Fixed Charge	PFP Charge	Bills per Year	Volume Rate	Annual Usage	Units	Annual Bill	Annual Bill w/PFP
Ashland	\$12.15	\$10.20	12	\$5.31	4,832	ft ³	\$402.39	\$524.79
Hammond	\$8.00	\$17.00	12	\$4.50	36,000	gallons	\$258.00	\$462.00
Wyoming, MN	\$34.52		4	\$2.852	36,000	gallons	\$240.75	\$240.75
Star Prairie*	\$17.10		4	\$4.75	36,000	gallons	\$239.40	\$239.40
New Richmond (proposed 2019)	\$11.60	\$8.85	12	\$2.31	36,000	gallons	\$222.36	\$328.56
Somerset*	\$8.70	\$3.14	12	\$3.04	36,000	gallons	\$213.84	\$251.52
Glenwood City*	\$24.00		4	\$3.00	36,000	gallons	\$204.00	\$204.00
Baldwin	\$18.54	\$18.00	4	\$3.16	36,000	gallons	\$187.92	\$259.92
Rice Lake	\$9.30	\$10.58	12	\$1.95	36,000	gallons	\$181.80	\$308.76
Osceola*	\$23.88		4	\$1.73	4,832	ft ³	\$179.12	\$179.12
Roberts*	\$15.45		4	\$3.19	36,000	gallons	\$176.64	\$176.64
New Richmond (current)	\$6.91	\$7.44	12	\$2.44	36,000	gallons	\$170.76	\$260.04
Menomonie	\$13.50	\$14.85	4	\$2.10	4,832	ft ³	\$155.48	\$214.88
Chippewa Falls	\$6.59	\$5.08	12	\$1.55	4,832	ft ³	\$153.98	\$214.94
River Falls	\$8.00	\$4.15	12	\$1.39	36,000	gallons	\$146.04	\$195.84
Amery	\$17.42	\$23.24	4	\$2.07	36,000	gallons	\$144.20	\$237.16
Hudson	\$14.25	\$15.60	4	\$1.55	4,832	ft ³	\$131.90	\$194.30
Lindstrom, MN	\$10.00		4	\$2.00	36,000	gallons	\$112.00	\$112.00
Average w/o New Richmond							\$195.47	\$251.00
Median w/o New Richmond							\$180.46	\$226.05

*Note: Charges part or all of public fire protection to the municipality.

City of New Richmond
2019 Water and Sewer Rate Study Executive Summary

Comparison of Average Residential Bills with Regional Communities - Water Rates - Alternative 3

Community	Fixed Charge	PFP Charge	Bills per Year	Volume Rate	Annual Usage	Units	Annual Bill	Annual Bill w/PFP
Ashland	\$12.15	\$10.20	12	\$5.31	4,832	ft ³	\$402.39	\$524.79
Hammond	\$8.00	\$17.00	12	\$4.50	36,000	gallons	\$258.00	\$462.00
Wyoming, MN	\$34.52		4	\$2.852	36,000	gallons	\$240.75	\$240.75
Star Prairie*	\$17.10		4	\$4.75	36,000	gallons	\$239.40	\$239.40
Somerset*	\$8.70	\$3.14	12	\$3.04	36,000	gallons	\$213.84	\$251.52
New Richmond (proposed 2019)	\$11.60	\$8.85	12	\$2.02	36,000	gallons	\$211.92	\$318.12
Glenwood City*	\$24.00		4	\$3.00	36,000	gallons	\$204.00	\$204.00
Baldwin	\$18.54	\$18.00	4	\$3.16	36,000	gallons	\$187.92	\$259.92
Rice Lake	\$9.30	\$10.58	12	\$1.95	36,000	gallons	\$181.80	\$308.76
Osceola*	\$23.88		4	\$1.73	4,832	ft ³	\$179.12	\$179.12
Roberts*	\$15.45		4	\$3.19	36,000	gallons	\$176.64	\$176.64
New Richmond (current)	\$6.91	\$7.44	12	\$2.44	36,000	gallons	\$170.76	\$260.04
Menomonie	\$13.50	\$14.85	4	\$2.10	4,832	ft ³	\$155.48	\$214.88
Chippewa Falls	\$6.59	\$5.08	12	\$1.55	4,832	ft ³	\$153.98	\$214.94
River Falls	\$8.00	\$4.15	12	\$1.39	36,000	gallons	\$146.04	\$195.84
Amery	\$17.42	\$23.24	4	\$2.07	36,000	gallons	\$144.20	\$237.16
Hudson	\$14.25	\$15.60	4	\$1.55	4,832	ft ³	\$131.90	\$194.30
Lindstrom, MN	\$10.00		4	\$2.00	36,000	gallons	\$112.00	\$112.00
Average w/o New Richmond							\$195.47	\$251.00
Median w/o New Richmond							\$180.46	\$226.05

*Note: Charges part or all of public fire protection to the municipality.

Comparison of Average Residential Bills with Regional Communities - Water Rates - Alternative 4

Community	Fixed Charge	PFP Charge	Bills per Year	Volume Rate	Annual Usage	Units	Annual Bill	Annual Bill w/PFP
Ashland	\$12.15	\$10.20	12	\$5.31	4,832	ft ³	\$402.39	\$524.79
Hammond	\$8.00	\$17.00	12	\$4.50	36,000	gallons	\$258.00	\$462.00
Wyoming, MN	\$34.52		4	\$2.852	36,000	gallons	\$240.75	\$240.75
Star Prairie*	\$17.10		4	\$4.75	36,000	gallons	\$239.40	\$239.40
New Richmond (proposed 2019)	\$11.60	\$8.85	12	\$2.19	36,000	gallons	\$218.04	\$324.24
Somerset*	\$8.70	\$3.14	12	\$3.04	36,000	gallons	\$213.84	\$251.52
Glenwood City*	\$24.00		4	\$3.00	36,000	gallons	\$204.00	\$204.00
Baldwin	\$18.54	\$18.00	4	\$3.16	36,000	gallons	\$187.92	\$259.92
Rice Lake	\$9.30	\$10.58	12	\$1.95	36,000	gallons	\$181.80	\$308.76
Osceola*	\$23.88		4	\$1.73	4,832	ft ³	\$179.12	\$179.12
Roberts*	\$15.45		4	\$3.19	36,000	gallons	\$176.64	\$176.64
New Richmond (current)	\$6.91	\$7.44	12	\$2.44	36,000	gallons	\$170.76	\$260.04
Menomonie	\$13.50	\$14.85	4	\$2.10	4,832	ft ³	\$155.48	\$214.88
Chippewa Falls	\$6.59	\$5.08	12	\$1.55	4,832	ft ³	\$153.98	\$214.94
River Falls	\$8.00	\$4.15	12	\$1.39	36,000	gallons	\$146.04	\$195.84
Amery	\$17.42	\$23.24	4	\$2.07	36,000	gallons	\$144.20	\$237.16
Hudson	\$14.25	\$15.60	4	\$1.55	4,832	ft ³	\$131.90	\$194.30
Lindstrom, MN	\$10.00		4	\$2.00	36,000	gallons	\$112.00	\$112.00
Average w/o New Richmond							\$195.47	\$251.00
Median w/o New Richmond							\$180.46	\$226.05

*Note: Charges part or all of public fire protection to the municipality.

RECOMMENDATIONS

It is the recommendation of this report that the Utility implement the overall rate increase of approximately 25.5 percent. After several discussions with City and Utility staff and their discussions with the Utilities Commission, it is recommended that the City request the rates under Alternative 4 from the PSC for approval. This rate structure balances the fairness of the rate structure to all customers and customer classes while taking into account the immediate impact of the rates on customers. Ultimately, the PSC has the final authority to set rates for the City.

SEWER RATE STUDY

SUMMARY

The results of the study indicate a significant rate increase of about 16 percent is recommended to fund the utility's ongoing operating expenses, to provide some funding for the \$3.75 million capital improvement program over the next five years and to maintain an adequate level of reserve funds available to cover ongoing equipment replacements, unexpected replacement and rehabilitation needs, or unexpected fluctuations in revenues or expenses. Of the \$3.75 million in capital projects included in the projections, \$1.66 million would be funded through debt, \$1.07 million through existing utility reserves and the remaining \$1.02 million through annual current revenues generated through user charges. Currently, the City's wastewater rates are lower than most communities in New Richmond's geographic region. Following this recommendation would increase rates to be closer to the average of surrounding communities' current rates, not considering any increases to wastewater rates that other communities may also implement in the interim.

Once the initial rate is set for 2019, continuing inflationary cost-of-living type rate increases should be evaluated on an annual basis and adjusted for changing conditions, such as an increase in sales or unexpected capital needs. The recommended and projected rate increases would increase the utility's user charge revenues by about \$285,000 in 2019 and by a total of about \$448,000 per year by 2023, when including new direct pass-through charges for biosolids disposal.

HISTORICAL AND FORECAST CUSTOMER DEMANDS

The total volume of wastewater treated at the plant has decreased steadily over the last several years. However, the 'billable' flow, or wastewater generated by customers, experienced a slight increase during the same time. Forecast flows for 2019 follow trends over the previous three

years and are projected to be slightly higher than 2017 and 2018 flows, with the exception of the public authority class.

REVENUE REQUIREMENTS

The following table compares the changes in revenue requirements since 2013 (shortly after the last rate increase was implemented). As shown, the increase in operation and maintenance expense and depreciation has outpaced the growth in user charge revenues. The utility’s net rate base has decreased since 2013 due to depreciation of system assets. Even with a decrease in rate return on net asset base, an overall rate increase of \$236,748 would be projected for the 2019 test year, or an increase of about 16.0 percent over user charge revenues at current rates.

Category	2013	2019	Change, 2013-2019	
Operation and Maintenance	1,074,626	1,432,507	357,881	33.3%
Depreciation Expense	531,465	572,284	40,819	7.7%
Return on Net Asset Base	(131,654)	(271,932)	(140,278)	-106.6%
Total	1,474,437	1,732,858	258,421	17.5%
Net Investment Rate Base	10,084,557	9,064,389	(1,020,168)	-10.1%
Operating Revenues at Current Rates	1,474,437	1,496,111	21,674	1.5%
Required Increase in Revenues			236,748	
Percentage Increase in User Charge Revenues			16.0%	

CASH FLOW FORECASTS

Key findings and recommendations regarding the utility’s financial condition are as follows:

- The utility has had positive cash flow for several years but was expected to have negative cash flow in 2018, with most of the capital additions being funded through reserves.
- Utility reserve levels of \$853,000 unrestricted plus \$2.4 million unrestricted are currently above the minimum recommended amount of \$1.7 million, although without an increase, reserves are expected to drop below the recommended minimum in 2022 and be completely depleted near 2025.
- Currently, debt as a percentage of utility plant is quite low at approximately 14 percent.
- The utility has utility-financed capital improvements totaling \$3.75 million, or an average of \$750,000 per year, planned for the period 2019-2023.

- An increase in user charge revenues of approximately 16.0 percent in 2019 and several additional 3 percent increases are needed to generate sufficient revenues to fund the expected level of expenses, the capital improvement program, and projected debt service while maintaining the cash reserves at the recommended level. Even with a rate increase, the utility will need to issue debt for \$1.66 million of its 5-year CIP.
- Under the recommended plan, the Utility’s cash reserves would be drawn down gradually to fund a portion of the capital improvement program.

PROPOSED RATE SCHEDULE

The targeted overall increase in user charge revenues for 2019 is approximately 16 percent. Rate increases for specific types of charges vary from the overall rate increase, as shown in the following detailed schedule of proposed rate increases.

Comparison of Current and Proposed Rate Schedules

Billing Cycle - Monthly								
Billing Units - 1,000 Gallons								
Flat Charge				Usage Charges				
Connection Size	Current Charge	Proposed Charge - 2019	Percent Change	Units	Current Rate	Proposed Rate - 2019	Percent Change	
5/8	\$6.82	\$8.50	25%					
3/4	\$6.82	\$8.50	25%					
1	\$8.52	\$12.90	51%					
1 1/4	\$9.90	\$16.60	68%					
1 1/2	\$11.38	\$20.50	80%					
2	\$14.82	\$29.60	100%					
2 1/2	\$19.95	\$41.50	108%					
3	\$22.83	\$50.40	121%					
4	\$34.26	\$79.90	133%					
6	\$62.76	\$153.10	144%					
8	\$97.12	\$240.90	148%					
10	\$142.81	\$357.90	151%					
12	\$188.90	\$474.80	151%					
				Domestic Sewage	\$/1,000 gallons	\$5.95	\$6.68	12.3%
				Surcharge Rates				
				BOD	\$/pound	NA	\$0.45	NA
				TSS	\$/pound	NA	\$0.47	NA
				Phosphorus	\$/pound	NA	\$17.63	NA
				TKN	\$/pound	NA	\$1.36	NA

COMMUNITY RATE COMPARISON

To provide context for the proposed rates for New Richmond, a comparison with the sewer user rates charged by other communities in the region was prepared. The two communities in Minnesota included in the comparison were chosen because they have their own wastewater treatment plant, to be comparable to New Richmond. The basis of the charges, and the estimated total annual bill for a residential customer for each community are shown in the following tables. As shown, for a customer using 36,000 gallons or 4,832 cubic feet of water per year, the estimated annual sewer bill under current New Richmond rates would be \$296.04 per year.

Under the proposed rate increase for 2019, this would increase to \$342.48, or a total increase of \$3.87 per month. Even with the increase, the average bill would remain below the average or median bill for the other regional communities.

Comparison of Average Residential Bills with Regional Communities - Sewer Rates

Community	Fixed Charge	Bills per Year	Volume Rate	Annual Usage	Units	Annual Bill
Hammond	\$14.75	12	\$13.39	36,000	gallons	\$659.04
Roberts	\$52.91	4	\$11.51	36,000	gallons	\$626.00
Star Prairie	\$50.00	12	\$0.00	36,000	gallons	\$600.00
Wyoming, MN	\$29.62	4	\$12.60	36,000	gallons	\$572.08
Osceola	\$35.00	4	\$8.00	4,832	ft ³	\$526.58
Somerset	\$8.66	12	\$10.82	36,000	gallons	\$493.44
Ashland	\$15.92	12	\$6.21	4,832	ft ³	\$491.12
River Falls	\$16.50	12	\$7.04	36,000	gallons	\$451.44
Lindstrom, MN	\$32.00	4	\$7.43	36,000	gallons	\$395.60
Amery	\$42.27	4	\$5.33	36,000	gallons	\$360.96
New Richmond (proposed 2019)	\$8.50	12	\$6.68	36,000	gallons	\$342.48
Baldwin	\$27.30	4	\$5.28	36,000	gallons	\$299.28
New Richmond (current)	\$6.82	12	\$5.95	36,000	gallons	\$296.04
Chippewa Falls	\$17.01	4	\$2.85	4,832	ft ³	\$205.76
Glenwood City	\$29.00	4	\$2.32	36,000	gallons	\$199.52
Menomonie	\$16.00	4	\$2.60	4,832	ft ³	\$189.64
Rice Lake	\$4.40	12	\$3.08	36,000	gallons	\$163.68
Hudson	\$7.60	4	\$3.00	4,832	ft ³	\$175.37
Average w/o New Richmond						\$400.59
Median w/o New Richmond						\$423.52

RECOMMENDATION

It is recommended that the City adopt the schedule of rates as shown above and continue to monitor the financial health of the utility for the necessity of additional future rate increases as presented in the cash flow analysis. This will allow the Wastewater Utility to generate the revenue needed to provide adequate funding for the utility’s operation and maintenance expenses and capital improvement program while maintaining the utility’s reserve funds at the recommended levels.

COMBINED CUSTOMER BILL IMPACTS AND COMMUNITY RATE COMPARISON

The following tables show the combined impact of the proposed rate increases to the water and sewer rates for the same example customers as in the previous sections. Because the rates are made up of several components, it is important to consider both when evaluating the impact to customers of various sizes and classes.

Comparison of Average Residential Bills with Regional Communities - Combined Water & Sewer

Community	Fixed Charge	PPF Charge	Bills per Year	Volume Rate	Annual Usage	Units	Annual Bill
Hammond	\$22.75	\$17.00	12	\$17.89	36,000	gallons	\$1,121.04
Ashland	\$28.07	\$10.20	12	\$11.52	4,832	ft ³	\$1,015.91
Star Prairie	\$67.10	\$0.00	12	\$4.75	36,000	gallons	\$976.20
Wyoming, MN	\$64.14	\$0.00	4	\$15.45	36,000	gallons	\$812.83
Roberts	\$68.36	\$0.00	4	\$14.70	36,000	gallons	\$802.64
Somerset	\$17.36	\$3.14	12	\$13.86	36,000	gallons	\$744.96
Osceola	\$58.88	\$0.00	4	\$9.73	4,832	ft ³	\$705.69
New Richmond (proposed 2019)	\$20.10	\$8.85	12	\$8.87	36,000	gallons	\$666.72
River Falls	\$24.50	\$4.15	12	\$8.43	36,000	gallons	\$647.28
Amery	\$59.69	\$23.24	4	\$7.40	36,000	gallons	\$598.12
Baldwin	\$45.84	\$18.00	4	\$8.44	36,000	gallons	\$559.20
New Richmond (current)	\$13.73	\$7.44	12	\$8.39	36,000	gallons	\$556.08
Lindstrom, MN	\$42.00	\$0.00	4	\$9.43	36,000	gallons	\$507.60
Rice Lake	\$13.70	\$10.58	12	\$5.03	36,000	gallons	\$472.44
Chippewa Falls	\$36.78	\$15.24	4	\$4.40	4,832	ft ³	\$420.70
Menomonie	\$29.50	\$14.85	4	\$4.70	4,832	ft ³	\$404.51
Glenwood City	\$53.00	\$0.00	4	\$5.32	36,000	gallons	\$403.52
Hudson	\$21.85	\$15.60	4	\$4.55	4,832	ft ³	\$369.67
Average w/o New Richmond							\$660.14
Median w/o New Richmond							\$622.70

Proposed Water Rate Schedule

Comparison of Current and Proposed Rate Schedules - Alternative 4

Billing Cycle - Monthly
Billing Units - 1,000 Gallons

Retail Charges

Service Charge

Connection Size	Current Charge	Proposed Charge	Percent Change
5/8	\$6.91	\$11.60	68%
3/4	\$6.91	\$11.60	68%
1	\$10.63	\$17.60	66%
1 1/4	\$14.35	\$23.20	62%
1 1/2	\$18.07	\$28.60	58%
2	\$28.70	\$42.70	49%
3	\$46.77	\$68.60	47%
4	\$72.29	\$103.30	43%
6	\$127.56	\$182.20	43%
8	\$201.96	\$275.90	37%
10	\$292.31	\$399.10	37%
12	\$382.67	\$522.30	36%

Service Charge - Irrigation Meters

Connection Size	Current Charge	Proposed Charge	Percent Change
5/8	\$3.25	\$6.40	97%
3/4	\$3.25	\$6.40	97%
1	\$5.00	\$10.80	116%
1 1/4	\$6.75	\$14.40	113%
1 1/2	\$8.50	\$18.20	114%
2	\$13.50	\$27.10	101%

Public Fire Protection Charge

Connection Size	Current Charge	Proposed Charge	Percent Change
5/8	\$7.44	\$8.85	19%
3/4	\$7.44	\$8.85	19%
1	\$9.57	\$11.50	20%
1 1/4	\$12.75	\$15.00	18%
1 1/2	\$14.88	\$17.70	19%
2	\$22.32	\$26.50	19%
3	\$29.77	\$35.40	19%
4	\$37.20	\$44.20	19%
6	\$44.64	\$53.10	19%
8	\$52.09	\$61.90	19%
10	\$59.52	\$70.80	19%
12	\$66.97	\$79.60	19%

Private Fire Protection Charge

Connection Size	Current Charge	Proposed Charge	Percent Change
2-inch	\$6.00	\$6.00	0%
3-inch	\$10.00	\$10.00	0%
4-inch	\$15.00	\$17.00	13%
6-inch	\$33.00	\$33.00	0%
8-inch	\$45.00	\$53.00	18%
10-inch	\$60.00	\$80.00	33%
12-inch	\$75.00	\$117.00	56%
14-inch	\$90.00	\$133.00	48%
16-inch	\$105.00	\$180.00	71%

Volume Charge

		Water Use Block	Current Rate	Proposed Rate	Percent Change
Residential	FIRST	17,000	\$2.44	\$2.19	-10.2%
	NEXT	150,000	\$1.80	\$2.03	12.8%
	NEXT	1,833,000	\$1.47	\$1.66	12.9%
	NEXT	-			
	OVER	2,000,000	\$1.80	\$2.37	31.7%
Multi-Family	FIRST	17,000	\$2.44	\$2.19	-10.2%
	NEXT	150,000	\$1.80	\$2.03	12.8%
	NEXT	1,833,000	\$1.47	\$1.66	12.9%
	NEXT	-			
	OVER	2,000,000	\$1.80	\$2.37	31.7%
Commercial	FIRST	17,000	\$2.44	\$2.19	-10.2%
	NEXT	150,000	\$1.80	\$2.03	12.8%
	NEXT	1,833,000	\$1.47	\$1.66	12.9%
	NEXT	-			
	OVER	2,000,000	\$1.80	\$2.37	31.7%
Industrial	FIRST	17,000	\$2.44	\$2.19	-10.2%
	NEXT	150,000	\$1.80	\$2.03	12.8%
	NEXT	1,833,000	\$1.47	\$1.66	12.9%
	NEXT	-			
	OVER	2,000,000	\$1.80	\$2.37	31.7%
Public Authority	FIRST	17,000	\$2.44	\$2.19	-10.2%
	NEXT	150,000	\$1.80	\$2.03	12.8%
	NEXT	1,833,000	\$1.47	\$1.66	12.9%
	NEXT	-			
	OVER	2,000,000	\$1.80	\$2.37	31.7%
Irrigation	FIRST	17,000	\$2.44	\$2.37	-2.9%
	NEXT	150,000	\$1.80	\$2.37	31.7%
	NEXT	1,833,000	\$1.47	\$2.37	61.2%
	NEXT	-			
	OVER	2,000,000	\$1.80	\$2.37	31.7%
Lakeside Foods	FIRST	17,000	\$2.44	\$2.37	-2.9%
	NEXT	150,000	\$1.80	\$2.37	31.7%
	NEXT	1,833,000	\$1.47	\$2.37	61.2%
	NEXT	-			
	OVER	2,000,000	\$1.80	\$2.37	31.7%

Proposed Sewer Rate Schedule

Comparison of Current and Proposed Rate Schedules

Billing Cycle - Monthly Billing Units - 1,000 Gallons								
Flat Charge				Usage Charges				
Connection Size	Current Charge	Proposed Charge - 2019	Percent Change		Units	Current Rate	Proposed Rate - 2019	Percent Change
5/8	\$6.82	\$8.50	25%					
3/4	\$6.82	\$8.50	25%					
1	\$8.52	\$12.90	51%					
1 1/4	\$9.90	\$16.60	68%					
1 1/2	\$11.38	\$20.50	80%					
2	\$14.82	\$29.60	100%					
2 1/2	\$19.95	\$41.50	108%					
3	\$22.83	\$50.40	121%					
4	\$34.26	\$80.00	134%					
6	\$62.76	\$153.20	144%					
8	\$97.12	\$241.10	148%					
10	\$142.81	\$358.10	151%					
12	\$188.90	\$475.10	152%					
				Domestic Sewage	\$/1,000 gallons	\$5.95	\$6.68	12.3%
				Surcharge Rates				
				BOD	\$/pound	NA	\$0.45	NA
				TSS	\$/pound	NA	\$0.47	NA
				Phosphorus	\$/pound	NA	\$17.63	NA
				TKN	\$/pound	NA	\$1.36	NA



MEMO

Prepared for: Utility Commission
Staff Contact: Weston Arndt, Electric Superintendent
Meeting: Utility Commission - 10 Jul 2019
Subject: Electric Department – Truck 36 Replacement

BACKGROUND INFORMATION:

Following approval at the April Utility Commission meeting, staff solicited quotes for a new pickup and service body to replace Truck #36. After initially requesting quotes for a ¾ ton pickup from the local Ram, Ford, and Chevy dealerships, it was recommended that we consider 1-ton models due to how close the expected payload weight would come to the maximum capacity rating. New quotes for 1-ton models were requested and received from Johnson Ford and Bernard’s. Quotes were received for a service body from Bernard’s, Altec, Utility Sales & Service, and Truck Utilities.

Dealer	Model	Service Body	Chassis or Truck Price	Equipment Price	Total
Johnson Chevy	No Bids		N/A	N/A	N/A
Johnson Ford	F-350 Box Delete Extended Cab	Truck Util. Brand FX	\$ 31,103	\$ 16,643	\$ 47,746
Bernard's	3500 Box Delete Crew Cab	Knapheide Truck Util. Brand FX	\$ 31,925	\$ 18,585 \$ 16,643	\$ 50,510 \$ 48,568
Bernard's	3500 Chassis Crew Cab	Knapheide Truck Util. Brand FX	\$ 32,844	\$ 18,585 \$ 16,643	\$ 51,429 \$ 49,487

Bid requests were for an extended cab model. Ram does not offer an extended cab, and thus submitted alternate bids with a crew cab substitute. Additionally, Ram offered a cab-chassis option as an upgrade to the pickup/box-delete model. Johnson Ford was contacted for a similar upgrade option, with a response that the box-delete would be the same as a cab-chassis model.

Despite the higher cost for the Ram cab-chassis, the alternative bid offers additional cab space with four door crew cab. Additionally, the cab-chassis allows for a 108” service body as compared to a 96” service body on a box-delete model and the Ford F-350. The cab-chassis offers a more robust frame, springs, and thus payload capacity.

FINANCIAL IMPACT:

The approved 2018 Capital Improvement Plan allocated \$55,000 of fund reserves for replacing Truck 36.

POLICY IMPLICATIONS:

Continued actions to upgrade our equipment fleet aligns with our efforts to improve efficiency and reliability, while emphasizing our Safety First pillar.

RECOMMENDATION:

Staff is requesting authorization to accept the quote for the 2019 Ram 3500 Crew Cab 4x4 Chassis at a price of \$32,844 and the service body through Truck Utilities at a price of \$16,643 pickup truck with extended cab and for suitable service body to replace the existing Truck #36. Total price of \$49,487 is below the budgeted amount of \$55,000.