

STATE OF WISCONSIN
 DEPARTMENT OF ADMINISTRATION
 DOA-2049 (R09/2016)

ADMINISTRATIVE RULES

Fiscal Estimate & Economic Impact Analysis

1. Type of Estimate and Analysis <input checked="" type="checkbox"/> Original <input type="checkbox"/> Updated <input type="checkbox"/> Corrected	2. Date June 19, 2017
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3. Administrative Rule Chapter, Title and Number (and Clearinghouse Number if applicable)
 PSC 185, Standards for Water Public Utility Service

4. Subject
 Updated standards for water public utility service

5. Fund Sources Affected <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S	6. Chapter 20, Stats. Appropriations Affected
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<input checked="" type="checkbox"/> Fiscal Effect of Implementing the Rule <input type="checkbox"/> No Fiscal Effect Indeterminate	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Increase Costs <input type="checkbox"/> Could Absorb Within Agency's Budget <input type="checkbox"/> Decrease Cost
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7. The Rule Will Impact the Following (Check All That Apply)

<input checked="" type="checkbox"/> State's Economy	<input type="checkbox"/> Specific Businesses/Sectors
<input type="checkbox"/> Local Government Units	<input checked="" type="checkbox"/> Public Utility Rate Payers
<input checked="" type="checkbox"/> Small Businesses (if checked, complete Attachment A)	

8. Would Implementation and Compliance Costs Be Greater Than \$20 million?
 Yes No

10. Policy Problem Addressed by the Rule
 The Commission has promulgated utility service rules for each industry it regulates. Ch. PSC 185, which establishes service rules related to water public utilities, has not been comprehensively updated since 1997. In the last 20 years, the Commission has noted numerous policy problems that this proposed rule addresses including: failure to reflect electronic record keeping, ensuring utility customers have sufficient information about water utilities' rates and rules; the need for rules governing extraordinary utility investment to extend service to new customers; disputes regarding payment options, and disconnection, deposit, and billing policies; failure to reflect changes in metering technology; lack of whistleblower protections and protections against oppressive and deceptive practices; delayed utility investigations and resolution of meter problems that can result in customers receiving significant back-bills long after they use water; bills for customers who have payment arrangements that do not include sufficient information; disputes related to utility and customer responsibilities during cold weather conditions; meter testing and accuracy limit rules that do not cover all meter types; standards for water loss control based on percentage benchmarks which do not provide utilities with sufficient direction to identify appropriate, cost-effective options for managing water that they pump, treat, and distribute but for which they do not collect revenue; duplication with administrative rules established by the Wisconsin Department of Natural Resources.

11. Summary of the businesses, business sectors, associations representing business, local governmental units, and individuals that may be affected by the proposed rule that were contacted for comments.
 The Commission requested comments on the economic impact of the proposed rule through its publicly accessible Electronic Records Filing (ERF) System from all interested parties including all water public utilities, Citizens Utility Board, League of Wisconsin Municipalities, Wisconsin Towns Association, Wisconsin Alliance of Cities, American Water Works Association – Wisconsin Section, Wisconsin Rural Water Association, Wisconsin Federation of Independent Business, and Wisconsin Manufacturers and Commerce.

12. Identify the local governmental units that participated in the development of this EIA.

Five municipally-owned water utilities, Green Bay Water Utility, Kenosha Water Utility, Racine Water and Wastewater Utilities, Wisconsin Rapids Water Works & Lighting Commission, and the City of Appleton Finance Department, provided economic impact estimates. The Commission also held two workgroup meetings in 2015 and 2016. Representatives of approximately 20 utilities of varying size, as well as utility industry associations, attended those

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meetings.

13. Summary of Rule's Economic and Fiscal Impact on Specific Businesses, Business Sectors, Public Utility Rate Payers, Local Governmental Units and the State's Economy as a Whole (Include Implementation and Compliance Costs Expected to be Incurred)

Some utilities may incur increased costs associated with mailing expenses related to customer notifications, as well as possible costs in updating billing systems. Some utilities are expected to have savings associated with decreased meter testing frequencies when the utility is on a 20-year replacement cycle. There may be additional costs to gather data and develop plans to reduce non-revenue water, however, these costs are expected to be more than offset by the savings resulting from minimizing the amount of water treated, pumped and distributed without receiving revenue. In 2015, utilities produced approximately \$63,000,000 worth of non-revenue water. Some utilities are also expected to have reduced operating costs due to more consistent, easier to implement rules related to deferred payment agreements and deposits. The public utility rate payers may incur less costs associated with back bills where inaccurate billing is identified and corrected more quickly.

14. Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule

The proposed rule will clarify procedures related to utility customer billing practices which may reduce time to resolve disputes. The rules regarding deferred payment agreements, which allow customers to catch up on outstanding bills, and deposits have been clarified to ensure consistency and ease of implementation. The rule's clarification of utility and customer responsibilities during winter conditions and freezing will help reduce the potential for costly damages to infrastructure and protracted disputes between utilities and their customers.

The updated table summarizing test conditions and accuracy requirements covers all types of water utility meters. This more comprehensive guidance should reduce confusion and lead to more consistent meter accuracy. The proposed rule provides greater clarity and flexibility to water utilities in reducing non-revenue water and will help utilities identify and prioritize appropriate, cost-effective actions that reduce operating expenses, increase revenue, and protect water resources. By eliminating duplication with administrative rules established by the Wisconsin Department of Natural Resources, the rule will save utility staff time and money. These benefits will accrue to both utilities and ratepayers.

15. Long Range Implications of Implementing the Rule

Long-term cost savings may accrue to those utilities that opt to offer e-billing to their customers. Consistent payment options for deposits and deferred payment agreements may result in fewer customers with outstanding balances owed on their water bills, leading to fewer outstanding balances placed on the municipal tax roll in those communities where that practice is allowed. The rule will also help reduce lingering customer billing disputes related to credits for water wasted through leaks and transferred balances. By using a systematic, cost-effective approach to reduce non-revenue water, utilities' annual operating costs and wear and tear on distribution systems will be reduced. The proposed rule regarding non-revenue water will ultimately result in net savings to utilities, as the costs of developing and implementing programs will be offset by reductions to the amount of water for which utilities collect no revenue. In 2015, utilities produced approximately \$63,000,000 worth of non-revenue water. This approach will enhance coordination between utilities' operational and financial functions.

16. Compare With Approaches Being Used by Federal Government

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.

17. Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)
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,

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Minnesota statutes require each water utility serving more than 1,000 people to adopt a water rate structure that promotes conservation, including seasonal rates, time of use rates, water budget rates, excess use rates, or inclining block rates. Public water utilities must update their plan and, upon notification, submit it to the Minnesota DNR for approval every ten years. 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 water pumped.

Illinois

The Illinois Commerce Commission (ICC) regulates investor-owned utilities, including 33 water, 5 sewer, and 14 combined water and sewer utilities. Illinois has administrative rules governing applications for service, deposits, billing requirements, payment plans, irregular billing, refunds and credits and disconnections. However, 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 water pumped; 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. Iowa has administrative rules governing utility records, tariffs, metering, meter reading, extensions of service, customer information, deposits, inaccurate billing, disconnection of service, customer complaints and meter testing. In addition, 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 utility rates and charges. 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 has administrative rules governing records retention, metering, meter testing, meter accuracy, billing, billing inaccuracies, deposits, disconnection, reconnection, customer information, rate schedules and extensions. Indiana does not have other water conservation requirements for public water utilities outside of its responsibilities under the Great Lakes Compact.

18. Contact Name

19. Contact Phone Number

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Sarah Klein

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ATTACHMENT A

1. Summary of Rule's Economic and Fiscal Impact on Small Businesses (Separately for each Small Business Sector, Include Implementation and Compliance Costs Expected to be Incurred)

N/A

2. Summary of the data sources used to measure the Rule's impact on Small Businesses

3. Did the agency consider the following methods to reduce the impact of the Rule on Small Businesses?

- Less Stringent Compliance or Reporting Requirements
- Less Stringent Schedules or Deadlines for Compliance or Reporting
- Consolidation or Simplification of Reporting Requirements
- Establishment of performance standards in lieu of Design or Operational Standards
- Exemption of Small Businesses from some or all requirements
- Other, describe:

4. Describe the methods incorporated into the Rule that will reduce its impact on Small Businesses

5. Describe the Rule's Enforcement Provisions

6. Did the Agency prepare a Cost Benefit Analysis (if Yes, attach to form)

- Yes No
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