



Public Service Commission of Wisconsin

Rebecca Cameron Valcq, Chairperson
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**PSC Testimony on Senate Bill 315/Assembly Bill 302 –
Water Meter Installation or Replacement Projects
Senate Committee on Utilities, Technology and Telecommunications
August 26, 2021**

Chairman Bradley and committee members, my name is Matt Sweeney and I am the Public and External Affairs Director at the Public Service Commission (Commission). Today I am here to testify on behalf of Commission Chairperson, Rebecca Cameron Valcq. Thank you for the opportunity to testify on Senate Bill 315 (SB 315) and Assembly Bill 302 (AB 302), which exempt water public utilities from needing a certificate of authority issued by the Commission prior to completing a non-routine meter replacement project.

At present, water public utilities must obtain a certificate of authority from the Commission prior to completing a non-routine meter replacement project that meets a cost threshold¹ and involves an upgrade in technology or accelerated replacement of existing meters. Water meter projects can be a major investment for a utility. Implementing a new meter system often requires changes in business practices and policies and can impact different functions within a utility. The Commission's existing review process and order conditions help ensure utilities are comparing alternatives (either vendors or types of technology) and taking advantage of the potential that advanced metering technology offers for optimizing utility operations and delivering direct benefits to customers.

Based on our experience reviewing these projects, the Commission recognizes that what was once considered new technology in water meters is rapidly becoming more routine within the water industry. In addition, the cost difference between technology types has become smaller over time. It's appropriate now to change what kind of approval is needed to invest in these projects.

I would like to take the opportunity to thank Senator Cowles and Representative VanderMeer for working with us to incorporate our suggested language that would remove the certificate of authority requirement for all types of meter installation, repair, or replacement projects in the bill language through the substitute amendment. Chairperson Valcq supports the changes to the Commission review of meter installation or replacement projects as amended by the substitute amendment.

¹ Current cost threshold is \$432,000 or 25 percent of the utility's operating revenues in the prior year, whichever is less.

We encourage utilities that are considering a meter replacement program to develop a plan that includes a feasibility study evaluating multiple technology alternatives, a procurement process evaluating multiple vendors, and a list of clear implementation steps and responsibilities (vendor versus utility) for migrating from an old meter system.

Additionally, new meters provide benefits both to utilities and consumers. If a meter or associated device used to measure water service is capable of transmitting measurements to a public utility and fails to transmit a scheduled reading, unexpectedly transmits a zero reading, or transmits an unexpected and abnormally high or low reading, it's reasonable for a utility to use the enhanced data and information to make the customer aware of the potential problem to avoid an unexpected high bill. It's also reasonable to expect that a customer alerted to a potential problem may request that the public utility inspect the meter and associated devices without charge. We strongly encourage utilities that are undertaking a meter replacement project to be intentional in their actions and processes to make sure their customers receive the benefits new metering technology offers.

It is ultimately the customers who are paying for new meter systems and the Commission does review a utility's meter program expenses as part of a rate case. Without a separate review and authorization of a meter project, there may be additional Commission and utility staff time required during a rate case in order to collect and evaluate information about the meter project. From our perspective, any additional Commission staff time during a rate case could be absorbed by ongoing operations as we noted in our fiscal estimate.

Thank you again for the opportunity to convey Chairperson Valcq's support of the bills under the proposed substitute amendment.

Thank you.

Testimony on 2021 Senate Bill 315

Senator Robert Cowles
Senate Committee on Utilities, Technology and Telecommunications
August 26th, 2021

Thank you, Chairman Bradley and Committee Members, for holding a hearing and allowing me to testify on 2021 Senate Bill 315. This bill exempts water utilities from needing PSC approval for meter projects.

Current law and administrative rule exempts certain projects conducted by local water utilities from needing approval from the Public Service Commission of Wisconsin (PSC). However, if a project does need approval, in the form of a certificate of authority, water utilities have to dedicate time and money away from their typically small staff and tight budgets for this process.

Today, if a water utility is looking to undertake a water meter project, only routine projects under a total cost threshold of \$250,000 or 25% of the utility's annual operating revenues, whichever is less, are exempt. With projects often lasting multiple years, this cost threshold can easily be exceeded. Additionally, "routine projects" have been interpreted to not include projects where a newer model of meter is installed, which is often the case as water utilities are looking to utilize electronic means of gathering monthly meter readings.

This regulatory uncertainty has led to a small host of investigations by the PSC into small water utilities which thought they were in compliance, but were found to be in violation. These violations were not a result of bad faith, but rather a poor regulatory framework. After all, it can be very unclear what's a multi-year project versus what are several separate, smaller projects undertaken in separate years, and replacing older meters with the newer industry standard meters is not only a common practice, but may be necessary based on what's available.

Senate Bill 315 looks to exempt water meter projects from a certificate of authority. The original bill looked to provide that projects may not exceed an annual average cost to align with current statutory cost thresholds but to allow for multi-year projects. Following feedback from the PSC, we choose to introduce Senate Substitute Amendment 1 to exempt all meter projects and make corresponding changes directly to the administrative code to provide clarity and consistency for regulators and regulated entities.

While projects would be exempt from the certificate of authority process, this does not mean that there's no oversight. Apart from the responsibility of local units of government to properly serve their constituents and water utilities to serve their customers, utilities would still be subject to reporting expenses incurred from a water meter project on their annual reports. Further, no water utility may raise their rates without approval from the PSC in a separate process with regulatory oversight and an opportunity for public comments.

Senate Bill 315 makes a simple, common-sense change to remove an unnecessary regulatory rubber stamp for these necessary projects by our local water utilities and also aligns the meter replacement criteria with electric and gas utilities. This bill is a result of discussions with stakeholders who have, for years, worked to implement statutory and rule criteria in a fairer manner without success.

The companion to Senate Bill 315, Assembly Bill 302, has already passed the Assembly Committee on Energy and Utilities 15-0 on June 3rd and passed the full Assembly on a voice vote on June 22nd.



NANCY VANDERMEER

STATE REPRESENTATIVE • 70TH ASSEMBLY DISTRICT

TO: Honorable Members of the Senate Committee on Utilities, Technology and Telecommunications

FROM: State Representative Nancy VanderMeer

DATE: August 26, 2021

SUBJECT: Testimony in Support of Senate Bill 315

Thank you Chairman Bradley for holding a hearing on SB 315 today. Under current Public Service Commission (PSC) regulations, water utilities are supposed to be exempt from getting a certificate of authority (approval for a construction project) before undergoing a routine water meter replacement project. However, despite this statutory interpretation by the PSC in their own administrative rules, they've regularly been determining that all water meter replacement projects are non-routine. This has subjected dozens of water utilities to the burdensome certificate process which delays the projects and costs hundreds, if not thousands of dollars just to clear this regulatory hurdle that's regularly a rubber stamp.

Current law generally requires utilities to obtain a certificate of authority from PSC before engaging in certain construction, installation, or improvement projects. This bill exempts water public utilities and combined water and sewer public utilities from needing a certificate of authority issued by the PSC before beginning customer meter installation, repair, or replacement projects. With this change, water utilities may begin a project sooner and complete the project more efficiently while avoiding the expenses behind the docket application, but it does not remove the oversight in place on water utilities. Water utilities would still be subject to reporting expenses incurred on a water utility meter replacement project on their annual reports. These projects sometimes span multiple years, and therefore, require multiple reports.

One of the primary reasons that I'm at the forefront of trying to make this change is because municipalities in the 70th Assembly District have been despairingly affected by how the PSC is handling these water meter replacement projects. The municipalities that have been despairingly affected are relatively small municipalities that employ good, well-meaning individuals, that have ran into big problems because of the way PSC is handling these projects. Unclear or misleading regulations coupled with unnecessary bureaucratic burdens are a logistical nightmare for small municipalities, in particular, because they simply don't have the bandwidth to deal with it.

We're requesting what we think is a simple, straightforward change to remove an unnecessary regulatory burden on local water utilities. This bill is a result of discussions with stakeholders who have, for years, worked to get the PSC to implement statutory and rule criteria in a fairer manner to no avail.

This legislation is supported by the League of Wisconsin Municipalities, the Wisconsin Rural Water Association, and others. Again, thank you for the opportunity for a public hearing on this legislation and I respectfully ask for your support to move this proposal forward in the legislative process.



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To: Senate Committee on Utilities, Technology and Telecommunications
From: Toni Herkert, Government Affairs Director, League of Wisconsin Municipalities
Date: August 26, 2021
RE: SB 315 related to meter installment or replacement projects and SB 316 related the timing of PSC approvals

Chairman Bradley, Vice Chair Roth, and members of the Utilities, Technology and Telecommunications Committee,

My name is Toni Herkert, and I am the new Government Affairs Director for the League of Wisconsin Municipalities. Thank you for hearing these two bills important to water utilities today. I appreciate the opportunity to testify before you in support of SB 315 and SB 316. The League worked on these bills as a member of a water utility coalition with MEG Drinking Water Division and Wisconsin Rural Water Association. The League would also like to thank the authors Senator Cowles, Representative Thiesfeldt, and Representative VanderMeer for their hard work and commitment to finding a compromise on these important bills.

As you are probably aware, Wisconsin has 11,525 public water systems, the largest number of any state. Public water systems are defined as those that provide water for human consumption to at least 15 service connections or regularly serve at least 25 people for 60 days or longer per year. Municipal systems are included in a category called community water systems which serve water to people where they live or work. Wisconsin's community water systems serve 70 percent of the state's population. The other 30 percent of the state's residents get their water from private wells.

Municipal community water systems are owned by cities, villages, towns, or sanitary districts. Wisconsin has 611 municipal systems. Milwaukee Waterworks is the state's largest, serving almost 600,000 people. Wisconsin's smallest municipal water systems, by contrast, serve fewer than 50 people each. While municipal systems only account for 611 of the over 11,000 public water systems, they service over 4 million of the state's residents.

The primary objective for municipal water systems is to provide safe, timely, and reliable distribution of water and other related services to the public for domestic, commercial, or industrial purposes. Water utilities keep a keen eye on efficiencies and technical and financial feasibility to provide safe drinking water and the most reliable and efficient service to rate payers in the most economical manner. SB 315 and SB 316 aid in this overall mission by removing some of the red tape and administrative inefficiency from the process of construction authorizations and meter installation and replacement. By providing clear timelines for projects and eliminating delays in the approval process, utilities can better plan, align financing, and provide related benefits to their customers. With the recent American Rescue Plan Act sending federal funding to municipalities, we have been told that water and sewer projects are on many municipal funding short lists. Providing the efficiencies, timelines, clarity, and consistency will help move these projects through completion before the federal funding deadlines.

Thank you for your time and I would be happy to answer any questions you may have.

YOUR VOICE. YOUR WISCONSIN.



To: Members, Assembly Committee on Energy and Utilities
From: League of Wisconsin Municipalities
Municipal Environmental Group – Water Division
Wisconsin Rural Water Association
Date: August 26, 2021
**RE: Support for SB 315 Modify PSC’s Construction Authorization Exemptions
for Water Meter Projects**

Our organizations submit these comments in support of Senate Bill 315 (as amended by Senate Substitute Amendment 1), which will exempt water utility meter upgrade projects from the PSC construction review. Revising this bureaucratic requirement will reduce the cost and red tape involved in installing upgraded water meters that more accurately measure water usage, reduce labor costs associated with meter reading, and streamline utility operations.

Under current law, PSC is authorized to adopt rules requiring public utilities to obtain a Certificate of Authority for projects to construct new facilities or to improve or add to existing facilities or equipment. Specific statutory exemptions apply based on utility-type, project scope and cost. Under Wis. Stat. § 196.49(5g)(ar)1m.e., a water utility project is exempt if it costs less than \$250,000 or 25 percent of the utility’s operating revenues in the prior year, whichever is less. For a multi-year project (which most meter projects are), the cost threshold applies to the total project cost, not the annual project cost.

PSC’s water utility construction rules (Wis. Admin. Code, PSC 184) provide additional exemptions for water utility projects including projects for “routine meter repair or replacement,” although this exemption is strictly limited by PSC. PSC does not apply the exemption to projects involving technology upgrades or accelerated meter replacement. Almost always, water meter replacement projects involve a technology upgrade, as old meters are replaced with new system technology. And, as new system technology is installed, it is not uncommon for some meters to be replaced sooner than anticipated so that all meters are able to work with the new technology. As a result, most water meter replacement projects require the PSC Construction Authorization Review.

SB 315, as amended by Senate Substitute Amendment 1, will exempt all meter projects from the PSC Construction Authorization process. Water meter projects will still be reported to the PSC either through rate cases or annual reporting requirement.

Finally, PSC rules do not require construction review for electric meter upgrades. PSC rules appear to presume that electric meter upgrade projects are in the public interest. Water utility meter upgrade projects are also in the public interest and should be afforded the same treatment as electric meter upgrade projects.

PSC review of meter upgrade projects has not resulted in benefits or improved projects for ratepayers. To our knowledge, all meter projects have been approved. **But the need for PSC review of these meter upgrade projects has resulted in project delays, increased costs, and the expenditure of valuable PSC staff time (the cost of which is then billed to the utility).** On behalf of our organizations, we ask for your support for this legislation.



Green Bay Water Utility

General Manager Nancy Quirk, P.E.

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To: 2021 Senate Committee on Utilities, Technology and Telecommunications
Senator Julian Bradley (Chair)
Senator Roger Roth (Vice-Chair)
Senator Van H Wanggaard
Senator Brad Pfaff
Senator Jeff Smith

From: Green Bay Water Utility

Date: August 26, 2021

RE: Senate Bill 315-Meter Installation or Replacement Projects by Water Utilities

Honorable Chairman Bradley and Distinguished Committee Members:

Thank you for your dedication to Wisconsin's safe drinking water. I have proudly served Wisconsin water utilities as a professional engineer and leader for more than 33 years—and was recently appointed to the EPA's National Drinking Water Advisory Council. As General Manager for Green Bay Water Utility, I appreciate the challenge before you to make the rules that guide a critical workforce during difficult circumstances.

I urge you to support Senate Bill 315, removing the need for utilities to obtain PSC permission to upgrade meters. From 2005 to 2013, Green Bay Water Utility transformed from a meter-reading employee walking door-to-door—to our smart water meters made right here in Wisconsin by Badger Meter. These meters instantly upgraded our customer's experience and made us more efficient, saving us time and money, and using technology to quickly alert us to concerning changes in water usage. This upgrade came with an upfront cost. Technology can be that way—as we all know, having gone from offices that used to supply a desk phone, but now must supply a desktop computer. Didn't that change make us more efficient?

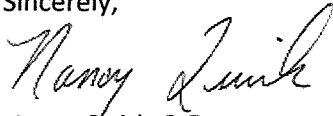
Customer water meters are standard pieces of equipment that every water utility has in common. We utility leaders of Wisconsin consult one another to discuss modern technology and worthwhile investments on a regular basis. After all, we are the ones working in utilities day after day—and the ones who know our customers and local circumstances the best. It is baffling that we could trust our utility experts to deliver safe drinking water to millions of people each day, but cannot trust these same utility managers, engineers and our metering staff to decide when the time is right to make necessary changes to technology, for the benefit of everyone.

Not only do we have to consult, apply and wait for the PSC to make the decision, but the process is frequently delayed by the commission, greatly impacting project timelines. Delays impact everything. And let me tell you: we are facing a workforce shortage. Green Bay Water Utility is not at full staff, and neither are most other utilities in the state, according to fellow managers I confide in regularly. I want to reiterate that we utilities have to pay the PSC out of our general budgets for the all the time they put into these decisions. PSC staff may not even have the background needed or full scope of understanding of these projects. Our

utilities use valuable staff time to work on this approval process after we have already decided as a utility. So ask yourself: should ratepayer money and staff time be used on a PSC application to upgrade meters to smarter technology? My answer is no. Meters are one thing utilities easily handle on our own without the PSC's help, and in turn, removing it from their duties will assist them with their backlog of cases.

Thank you for your consideration in support for SB315.

Sincerely,

A handwritten signature in cursive script that reads "Nancy Quirk".

Nancy Quirk, P.E.
General Manager
Green Bay Water Utility