

# New Richmond Utilities 2019 Water and Sewer Rates FAQ

## Brief History of NRU

New Richmond Utilities (NRU) was originally founded in 1890 to provide electricity for lighting and industrial machinery. The City drilled its first public water well and began to install underground water mains in the early 1900s. A second water well and wastewater treatment plant (WWTP) were added in the 1930s, at which time the original well was discontinued.



*Original WWTP around 1970.*



*WWTP in 2014. The original facility was relocated in 1983.*

Over the years, four additional water wells were drilled, and the system of water and sewer mains was expanded. The City's first water tower was constructed in 1964, and a second followed in 1988. The wastewater treatment plant was relocated and expanded in the early 1980s. Today, the NRU water system includes over 82 miles of main, two water towers, five water wells, and a maintenance shop. The sewer system includes a wastewater treatment plant, 17 lift stations, and over 65 miles of main. On an average day, over 885,000 gallons of water is delivered to New Richmond residents and businesses while over 650,000 gallons of wastewater is processed and treated.

## Sustainable and Effective Management

A utility system has two types of costs, operational and capital. Operational costs include the repairs, maintenance, testing, labor, and administrative work necessary to deliver services on a daily basis. Capital costs include long-lived and often very expensive items such as water towers, wastewater treatment plants, water wells, lift stations, mains, and heavy equipment. Some capital assets like vehicles are replaced every 5-10 years depending on use, while others such as water towers may stay in place 30-50 years or more. Since NRU water and sewer operations are fully funded by system users and *not* supported by any other funding, including taxes, rates must be sufficient to cover short-term operational costs *and* long-term capital costs. If rates are not sufficient to build up reserves for long-term costs, a utility may be forced to take on an unsustainable amount of debt to finance capital replacements or improvements. NRU leadership and staff continually strive to minimize debt issuance by reinvesting in capital infrastructure at the right time, holding down operational costs, and carefully managing reserve funds. In fact, NRU currently has a very low amount of debt relative to operating revenues and healthy reserve levels to help pay for capital costs and minimize future debt issuance. Staff monitor the financial health of the utility on an ongoing basis; quarterly financial reports can be found on the NRU website, [www.nrutilities.com](http://www.nrutilities.com).

## **Why Are New Rates Being Considered?**

Water rates were last changed in 2014, while sewer rates were last changed in 2012. Since then, overall demand has increased as New Richmond's population continues to grow, 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 (there have been no major upgrades or modifications of the WWTP since 1983).

Recognizing these challenges, NRU engaged Trilogy Consulting, a firm that specializes in utility rate studies, to independently examine water and sewer operations. A rate study is a comprehensive analysis of operational and capital costs that includes a long-term plan to ensure that the utility remains financially healthy. Public utilities periodically conduct rate studies to ensure that (a) user rates are sufficient to recover the costs associated with providing services and that (b) rate structures fairly distribute the cost of service among users (commercial, residential, etc.).

Based on Trilogy's findings, the New Richmond Utility Commission and City Council will consider water and sewer rate changes at scheduled July and August meetings, respectively. If approved, NRU will submit a water rate case application to the Public Service Commission of Wisconsin for final approval, while sewer rates will take effect in fourth quarter 2019.

## **How Often Do Wisconsin Utilities Consider Rate Adjustments?**

The timing of rate adjustments is dependent on many different factors unique to each utility such as system growth, age of capital infrastructure, commercial customer base, and state/federal regulations. NRU water rates were last changed in 2014, while sewer rates were last changed in 2012. Of utilities comparable in size to NRU (Class C Utilities), the last time residential water rates were changed was, on average, mid 2015 according to PSC data. (Source: <http://apps.psc.wi.gov/vs2017/waterbill/default.aspx>)

## **How Will the Proposed Rates Affect My Monthly Utility Bill?**

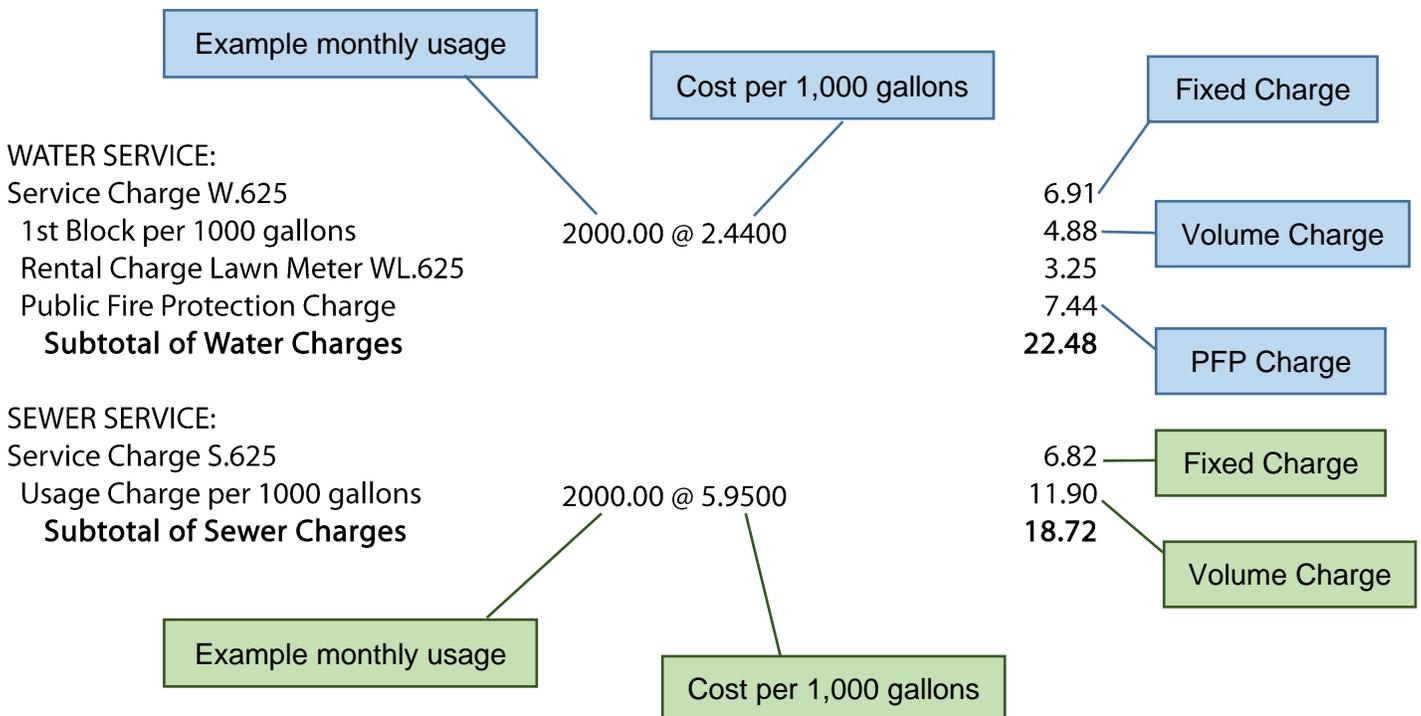
The average residential customer could see a monthly water bill increase of \$5.35 and a monthly sewer bill increase of \$3.87. Actual increases may be higher or lower depending on seasonal and individual use patterns. New sewer rates are proposed to go into effect in fourth quarter 2019 while water rates would go into effect first quarter of 2020. These adjustments will provide the resources necessary to maintain the service levels our customers expect while minimizing future debt issuance and ensuring long-term financial sustainability.

## How are Water and Sewer Bills Calculated?

Water and sewer bills are calculated based on fixed, variable, and fire protection costs:

- § **Fixed Charge** (also called Service Charge) – Fixed charges cover system costs that occur regardless of the amount of water used/sewage discharged during a given year. For example, even if water usage goes down ten percent during a particular year, the cost to maintain 82 miles of main stays the same (or goes up, depending on inflation). Fixed charges stay the same each month no matter how much water is used. Note that there may be an additional fixed charge if the customer uses an irrigation/lawn meter.
- § **Volume Charge** (also called Variable Charge) – Volume charges cover the cost of conveying clean water to your house and treating the wastewater that goes down the drain every time you take a shower, run the dishwasher, or turn on the faucet. For example, the cost of power used to operate water wells fluctuates depending on usage. Volume charges are usually expressed as a certain amount charged per 1,000 gallons of water used and/or sewage discharged.
- § **Public Fire Protection Charge** (water service only) – The Public Fire Protection (PFP) charge recovers the cost of water for fighting fires and the extra system capacity necessary to rapidly deliver a large volume of water to fight a fire anywhere within the municipality's water service area. These costs include a portion of the wells, pumps, storage facilities, water mains, hydrants and an estimated quantity of water used for this purpose. Some Wisconsin utilities include PFP charges on customer monthly/quarterly water bills (Direct PFP Charge), while other charge all or part of PFP costs to the municipality (Municipal PFP Charge), which are recovered via property taxes.

A sample calculation from a recent NRU bill is shown below:



## How Do NRU Water and Sewer Bills Compare to Regional and Peer Utilities?

The following graphics compare the rates and customer costs of regional and similar sized utilities. *Please note that the following are for comparison purposes only – your water/sewer bill may be higher or lower depending on usage, presence of a lawn meter, etc.*

### Regional Cost Comparison - Combined Water & Sewer

Community	Fixed Charge	Direct PFP Charge	Bills per Year	Volume Rate	Annual Usage	Monthly Cost	Annual Bill
Hammond	\$22.75	\$17.00	12	\$17.89	36,000 gallons	\$93.42	\$1,121.04
Ashland	\$28.07	\$10.20	12	\$11.52	4,832 ft <sup>3</sup>	\$84.66	\$1,015.91
Star Prairie*	\$67.10		12	\$4.75	36,000 gallons	\$81.35	\$976.20
Wyoming, MN**	\$64.14	N/A	4	\$15.45	36,000 gallons	\$67.74	\$812.83
Roberts*	\$68.36		4	\$14.70	36,000 gallons	\$66.89	\$802.64
Somerset*	\$17.36	\$3.14	12	\$13.86	36,000 gallons	\$62.08	\$744.96
Osceola*	\$58.88		4	\$9.73	4,832 ft <sup>3</sup>	\$58.81	\$705.69
New Richmond (proposed)	\$20.10	\$8.85	12	\$8.87	36,000 gallons	\$55.56	\$666.72
River Falls	\$24.50	\$4.15	12	\$8.43	36,000 gallons	\$53.94	\$647.28
Amery	\$59.69	\$23.24	4	\$7.40	36,000 gallons	\$49.84	\$598.12
Baldwin	\$45.84	\$18.00	4	\$8.44	36,000 gallons	\$46.60	\$559.20
New Richmond (current)	\$13.73	\$7.44	12	\$8.39	36,000 gallons	\$46.34	\$556.08
Lindstrom, MN**	\$42.00	N/A	4	\$9.43	36,000 gallons	\$42.30	\$507.60
Rice Lake	\$13.70	\$10.58	12	\$5.03	36,000 gallons	\$39.37	\$472.44
Chippewa Falls	\$36.78	\$15.24	4	\$4.40	4,832 ft <sup>3</sup>	\$35.06	\$420.70
Menomonie	\$29.50	\$14.85	4	\$4.70	4,832 ft <sup>3</sup>	\$33.71	\$404.51
Glenwood City*	\$53.00		4	\$5.32	36,000 gallons	\$33.63	\$403.52
Hudson	\$21.85	\$15.60	4	\$4.55	4,832 ft <sup>3</sup>	\$30.81	\$369.67
<b>Average (without New Richmond)</b>						<b>\$55.01</b>	<b>\$660.14</b>
<b>Median (without New Richmond)</b>						<b>\$51.89</b>	<b>\$622.70</b>

#### Notes:

\*All or part of Public Fire Protection (PFP) costs are recovered via property taxes (Municipal PFP Charge)

\*\*Minnesota municipalities do not use the PFP mechanism

The Public Fire Protection (PFP) charge recovers the cost of water for fighting fires and the extra system capacity necessary to rapidly deliver a large volume of water to fight a fire anywhere within the municipality's water service area. These costs include a portion of the wells, pumps, storage facilities, water mains, hydrants and an estimated quantity of water used for this purpose. Some Wisconsin utilities include PFP charges on customer monthly or quarterly water bills (Direct PFP Charge), while others charge all or part of PFP costs to the municipality (Municipal PFP Charge), which are recovered via property taxes. Minnesota municipalities do not have a PFP mechanism.

**Caution should be used when comparing municipalities with different PFP recovery methods.**

For more regional comparisons, visit [www.nrutilities.com](http://www.nrutilities.com)

**Residential Water Cost Comparison - Selected Wisconsin Class C Utilities (1,000 to 3,999 customers)**

Comparisons are based on an average monthly usage of 3,000 gallons / 4.01 ccf

	<b>Class C Utility</b>	<b>Bills per Year</b>	<b>Fixed Meter Charge</b>	<b>Volume Rate 1st tier</b>	<b>Monthly Cost w/o PFP</b>	<b>Annual Water Bill w/o PFP</b>	<b>Direct PFP Charge*</b>	<b>Municipal PFP Charge*</b>	<b>Annual Water Bill with PFP**</b>
<b>Five Highest Bills</b>	Town of Rome Water Utility	4	\$78.00	\$6.60	\$45.80	\$549.60	\$12.20		\$598.40
	Village of Wrightstown Water Utility	4	\$42.00	\$7.30	\$35.90	\$430.80	\$10.23	\$198,903	\$471.72
	Village of Sherwood Water and Sewer Utility	4	\$54.03	\$5.91	\$35.74	\$428.88	\$12.31	\$163,200	\$478.12
	Waupun Public Utilities	12	\$13.82	\$5.34	\$35.24	\$422.85	\$15.79		\$612.33
	Nekoosa Municipal Water Utility	12	\$10.30	\$8.09	\$34.57	\$414.84	\$26.06		\$727.56
<b>NRU and Similar Bills</b>	City of Muskego Water Public Utility	4	\$26.22	\$3.39	\$18.91	\$226.92	\$8.85	\$327,818	\$262.32
	Village of Waterford Water and Sewer Utility	4	\$23.97	\$3.63	\$18.88	\$226.56		\$323,826	\$226.56
	Johnson Creek Water Utility	12	\$11.57	\$2.37	\$18.68	\$224.16		\$103,625	\$224.16
	Richland Center Water Utility	12	\$9.89	\$2.82	\$18.35	\$220.20	\$11.38		\$356.76
	<b>New Richmond Municipal Water Utility - proposed</b>	<b>12</b>	<b>\$11.60</b>	<b>\$2.19</b>	\$18.17	<b>\$218.04</b>	<b>\$8.85</b>		<b>\$324.24</b>
	Merrill Water Utility	4	\$22.40	\$2.66	\$18.14	\$217.62	\$12.45	\$125,160	\$267.42
	City of Milton Municipal Water Utility	6	\$20.00	\$2.64	\$17.92	\$215.04	\$25.60		\$368.64
	Village of Somerset Water Utility	12	\$8.70	\$3.04	\$17.82	\$213.84	\$3.14	\$91,612	\$251.52
	<b>New Richmond Municipal Water Utility - current</b>	<b>12</b>	<b>\$6.91</b>	<b>\$2.44</b>	\$14.23	<b>\$170.76</b>	<b>\$7.44</b>		<b>\$260.04</b>
<b>Five Lowest Bills</b>	West Salem Municipal Joint Water and Sewer Utility	4	\$10.75	\$2.50	\$11.08	\$133.00	\$27.40		\$242.60
	Lakeland Sanitary District #1	4	\$13.91	\$2.12	\$11.00	\$131.96		\$99,288	\$131.96
	Shawano Lake Sanitary District #1	4	\$12.00	\$1.85	\$9.35	\$112.20	\$8.10		\$144.60
	City of Prescott Municipal Water Utility	4	\$10.88	\$1.85	\$9.18	\$110.12	\$22.13		\$198.64
	Barron Light And Water Utility	12	\$4.70	\$1.26	\$8.48	\$101.76	\$6.80		\$183.36
	<b>Average of all Class C Utilities except NRU</b>				<b>\$19.93</b>	<b>\$239.19</b>			<b>\$322.13</b>
	<b>Median of all Class C Utilities except NRU</b>				<b>\$19.21</b>	<b>\$230.52</b>			<b>\$318.08</b>

**Notes:**

\*The Public Fire Protection (PFP) charge recovers the cost of water for fighting fires and the extra system capacity necessary to rapidly deliver a large volume of water to fight a fire anywhere within the municipality's water service area. These costs include a portion of the wells, pumps, storage facilities, water mains, hydrants and an estimated quantity of water used for this purpose. Some Wisconsin utilities include PFP charges on customer monthly/quarterly water bills (Direct PFP Charge), while other charge all or part of PFP costs to the municipality (Municipal PFP Charge), which are recovered via property taxes. Note that Direct PFP Charges can be fixed (one rate for all customers) or variable (different rates depending on class, assessed property value, etc.) **Caution should be used when comparing municipalities with different PFP recovery methods.**

\*\*Does not include Municipal PFP Charges, which are recovered via property taxes.

Visit [www.nrutilities.com](http://www.nrutilities.com) for a full Class C Comparison

**Residential Sewer Cost Comparison**  
**Selected Wisconsin Class C Utilities (1,000 to 3,999 customers)**

Comparisons are based on an average monthly usage of 3,000 gallons / 4.01 ccf

	Utility / Community	Bills per Year	Fixed Meter Charge	Volume Rate 1st tier	Monthly Cost	Annual Sewer Bill
Five Highest Bills	Belleville	12	\$16.16	\$15.69	\$63.23	\$758.76
	Cross Plains	12	\$26.00	\$11.75	\$61.25	\$735.00
	Oconto Falls	12	\$37.50	\$5.48	\$59.49	\$713.84
	Somers	4	\$170.00		\$56.67	\$680.00
	Mount Horeb	12	\$22.10	\$11.50	\$56.60	\$679.20
NRU and Similar Bills	Lakeland Sanitary District #1	4	\$27.00	\$7.14	\$30.42	\$365.04
	Whitewater	12	\$9.00	\$10.65	\$30.30	\$363.60
	Hayward	12	\$8.00	\$7.38	\$30.14	\$361.68
	Amery	4	\$42.27	\$5.33	\$30.08	\$360.96
	Kiel	12	\$19.89	\$2.54	\$30.08	\$360.93
	<b>New Richmond - proposed</b>	<b>12</b>	<b>\$8.50</b>	<b>\$6.68</b>	<b>\$28.54</b>	<b>\$342.48</b>
	Baldwin	4	\$27.30	\$5.28	\$24.94	\$299.28
	<b>New Richmond - current</b>	<b>12</b>	<b>\$6.82</b>	<b>\$5.95</b>	<b>\$24.67</b>	<b>\$296.04</b>
	Hortonville	4	\$21.00	\$5.89	\$24.67	\$296.04
	Fox Point	4	\$31.00	\$3.39	\$23.93	\$287.16
Five Lowest Bills	Sheboygan Falls	12	\$3.83	\$3.36	\$13.91	\$166.92
	Rice Lake	12	\$4.40	\$3.08	\$13.64	\$163.68
	Town of Brookfield Sanitary Dist No 4	4	\$20.46	\$2.13	\$13.22	\$158.66
	Lake Delton	12	\$3.44	\$2.52	\$11.00	\$132.00
	Rib Mountain San Dist	4	\$10.00	\$0.90	\$6.03	\$72.40

**Average of all Class C Utilities except NRU**

**\$32.47**

**\$389.69**

**Median of all Class C Utilities except NRU**

**\$30.68**

**\$368.16**

## Where Can I Learn More?

### *Informational and Legislative Meetings:*

- § New Richmond Utilities will be holding public open houses on **June 5, 2019** at 6:00 pm and **June 19, 2019** at 6:00 pm at the New Richmond Civic Center (156 E 1<sup>ST</sup> ST). NRU staff will explain the life cycle of a utility operation, how rates are periodically evaluated, and why utility rate changes are being proposed.
- § New Richmond Utility Commission Meeting – **July 10, 2019 at 8:00 am**
- § New Richmond City Council Meeting – **August 12, 2019 at 7:00 pm**

### *Links to Interactive Rate Tools and Reference Materials:*

- § Public Service Commission of Wisconsin Quarterly Water Bill Comparison Tool  
<http://apps.psc.wi.gov/vs2017/waterbill/default.aspx>
- § Wisconsin Residential Water Rates Dashboard  
<https://efc.sog.unc.edu/resource/wisconsin-residential-water-rates-dashboard>
- § [www.nrutilities.com](http://www.nrutilities.com)
  - Informational materials
  - NRU 5-Year Capital Improvement Plan
  - Quarterly financial reports
  - Regional and peer utility comparisons