NEW Water

The brand of the Green Bay Metropolitan Sewerage District

Capital Charge Study – Workshop #3: Implementation & Reporting Ideas

August 2, 2022

RAFTELIS

Agenda

1. Revisit Study Purpose
2. Recap of Workshop #2
3. Implementation Models
4. Reporting Concept
5. Discussion
6. Next Steps

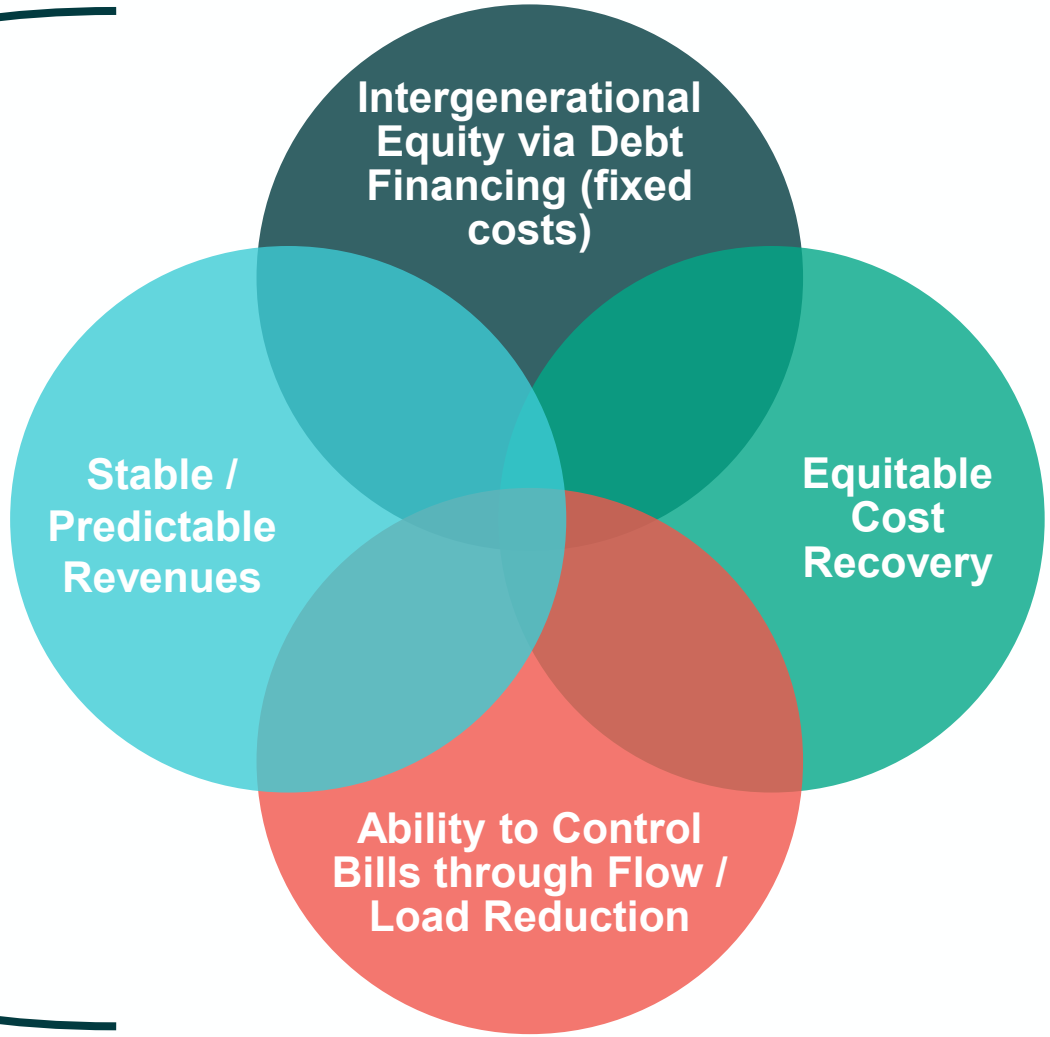
Purpose

Study Purpose & Meeting Objective

- **Study Purpose:** Develop and evaluate new capital charge billing approaches and make a recommendation to Commission.
- **Drivers:** Desire to explore ways to improve the capital charge billing process, including consideration of:
  - Move from budgeted to actual units
  - True-up procedure
  - Revise the capital charge component from 65% to 100% of total capital
  - Other approaches to be identified…
- **Meeting Objective:** Review implementation and reporting concepts of prioritized capital charge billing options and further refine preferred approaches.
- **Stakeholder Advisory Group Role:** Serve in an advisory capacity to NEW Water to inform the Capital Charge Study process.

What is the goal?

Achieve a balance…



Preliminary options

1. Status quo

- **Process:** Capital charge allocated to customers based on budgeted units, capital charge is billed at 1/12th per month.
- **Examples:** NEW Water (See prior slides)

2. Year-end true-up

- **Process:** Use budgeted units during the year, redistribute capital charge at end of the year using actual units settled with December invoice payment (or to-be-determined deadline).
- **Examples:** DC Water

3. In-year true-up (or actuals)

- **Process:** Capital charge allocated to each customer adjusted using actuals every six months, quarterly, or just-in-time (monthly).
- **Examples:** Williamsport, PA

4. Rolling actuals

- **Process:** Capital charge allocated to customers each month using a rolling average of 3, 6, or 12 months of actuals.
- **Examples:** Unknown

5. Lagging actuals

- **Process:** Capital charge allocated to customers during the year based on the prior year or an average of 3 prior years of actuals.
- **Example:** Dayton Water (3-year average)

Additional feature

A. 65% to 100% capital charge

- **Process:** All capital costs would be billed on a capital charge basis.
- **Examples:** City of Wilmington, DE

Implementation Models

Implementation Models

Consider a Hypothetical 2022 Capital Charge True-up:

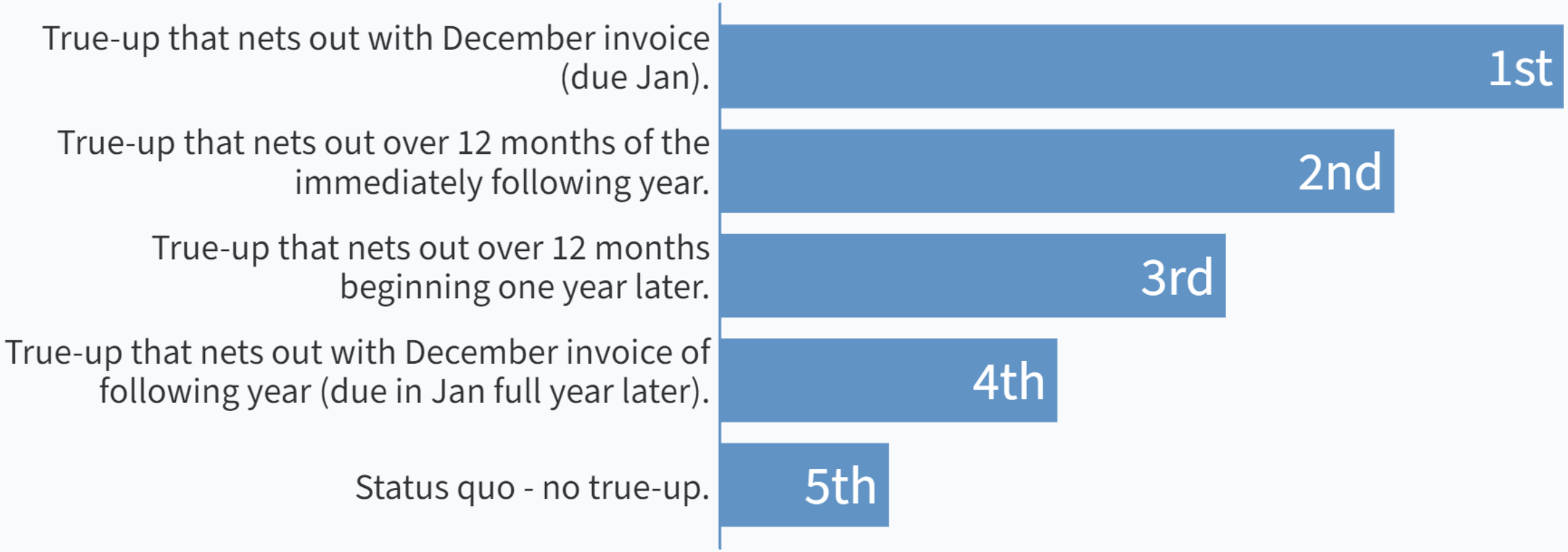
- Could be netted out by Jan 2023 based on full-year 2022 actuals (due with December invoice payment).
- Could be spread across 2023 at 1/12th per month to reduce impacts.
- Could be lagged to 2024 to allow for customers to catch-up during 2023 and then come due entirely in January 2024.
- Could be lagged to 2024 to allow for customers to catch-up during 2023 and then come due monthly throughout 2024 at 1/12th per month.

Model Pros and Cons

2022 True-Up Options	Pros	Cons
Jan 2023 True-Up	• Best for customers that earned a credit. • Financial responsibility tied to period of actuals. • Any credits earned are paid out quickly.	• Worst for customers that owe a lot. • May require reserve funding to cover any balanced owed. • Unable to budget for balance owed or credits earned.
1/12th Through 2023 True-Up	• Spreads impacts of any balance owed over more time.	• Credits earned are not paid as quickly. • Financial responsibility less tied to period of actuals. • May require reserve funding to cover any balanced owed. • Unable to budget for balance owed or credits earned.
Jan 2024 True-Up	• Can budget for any balance owed.	• Credits earned are not paid as quickly. • Moves financial responsibility farther away from year actuals occurred. • Need to consider audit reporting impacts of delay.
1/12th Through 2024 True-Up	• Best for customers that owe a lot. • Can budget for any balance owed. • Spreads impacts of any balance owed over more time.	• Worst for customers that earned a credit. • Moves financial responsibility farthest away from year actuals occurred. • Need to consider audit reporting impacts of delay.

What capital charge implementation options do you most prefer?

Please rank the following:



Reporting Concepts

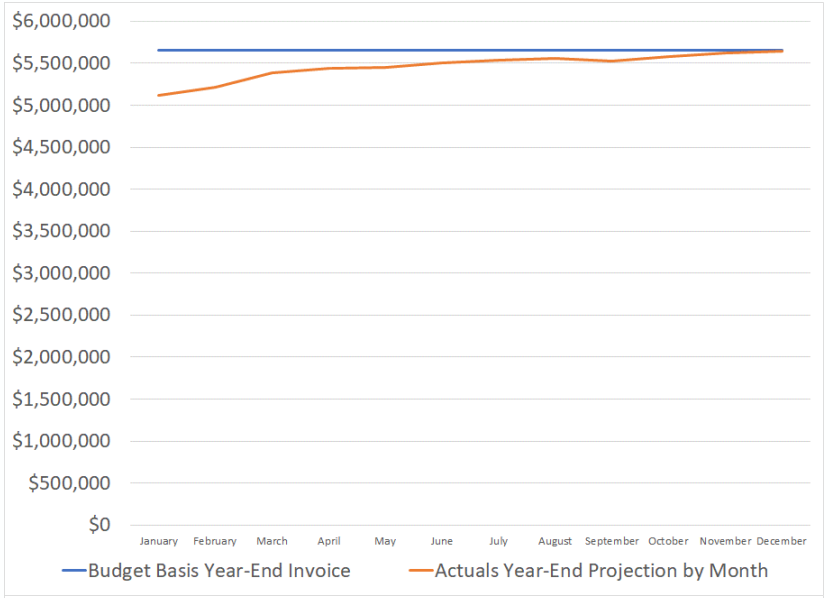
Reporting Elements

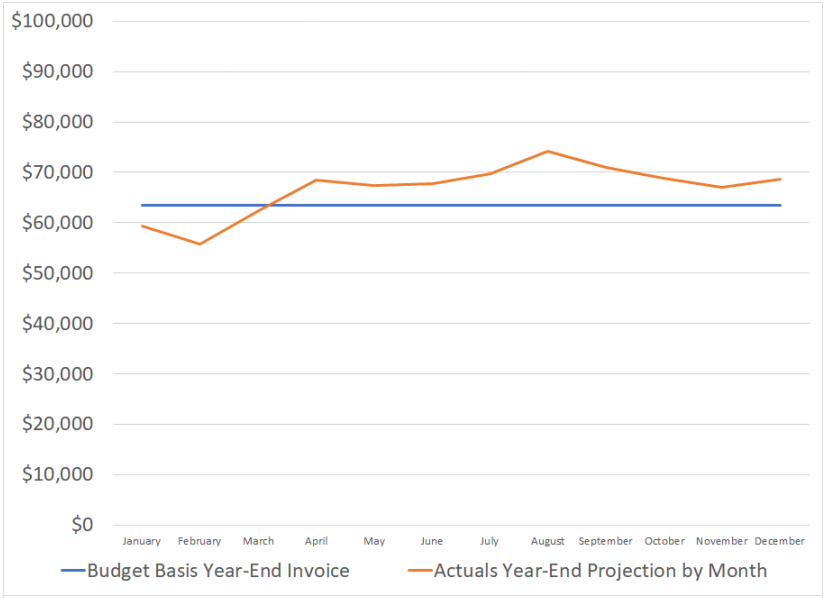
Key elements:

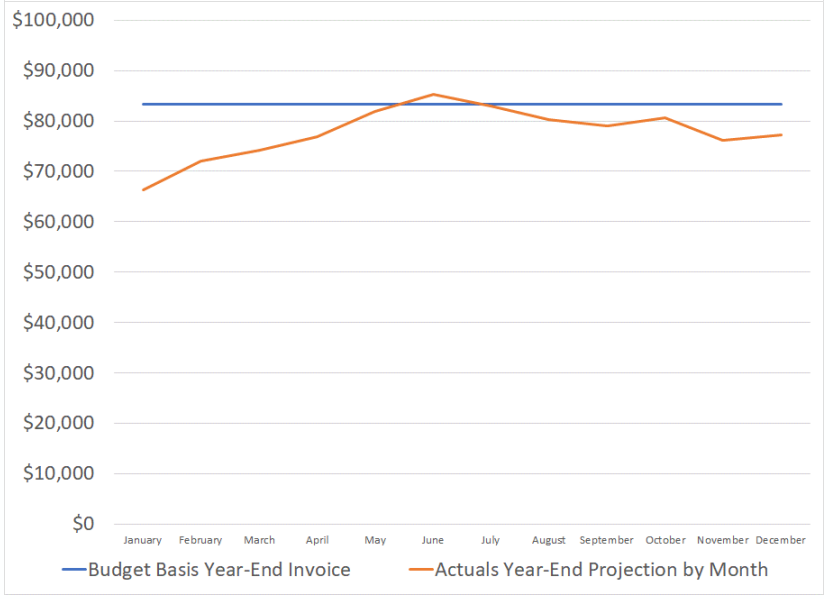
- Budgeted Units by Parameter
- Share of Budgeted Units by Parameter
- Budget Basis Billed Capital Charge $
- Actual Units by Parameter
- Share of Actual Units by Parameter
- Actuals Basis Capital Charge $
- Net Difference of Budget vs Actuals Basis (True-up Balance Owed or Credit)

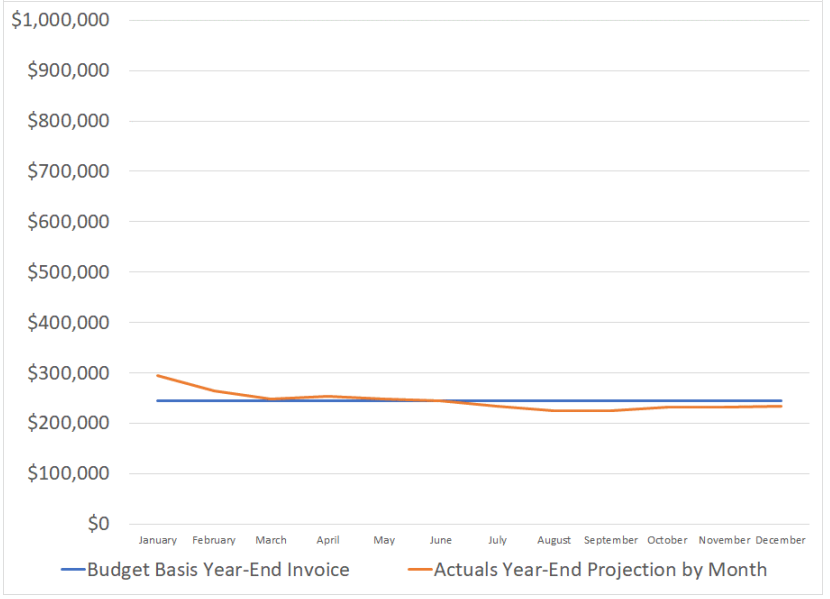
Note: Historical data show inconsistent (rather than seasonal or predictive) trends in projections of year-end bills from month to month, so year-end reporting is recommended approach.

Monthly Projections Using Actuals







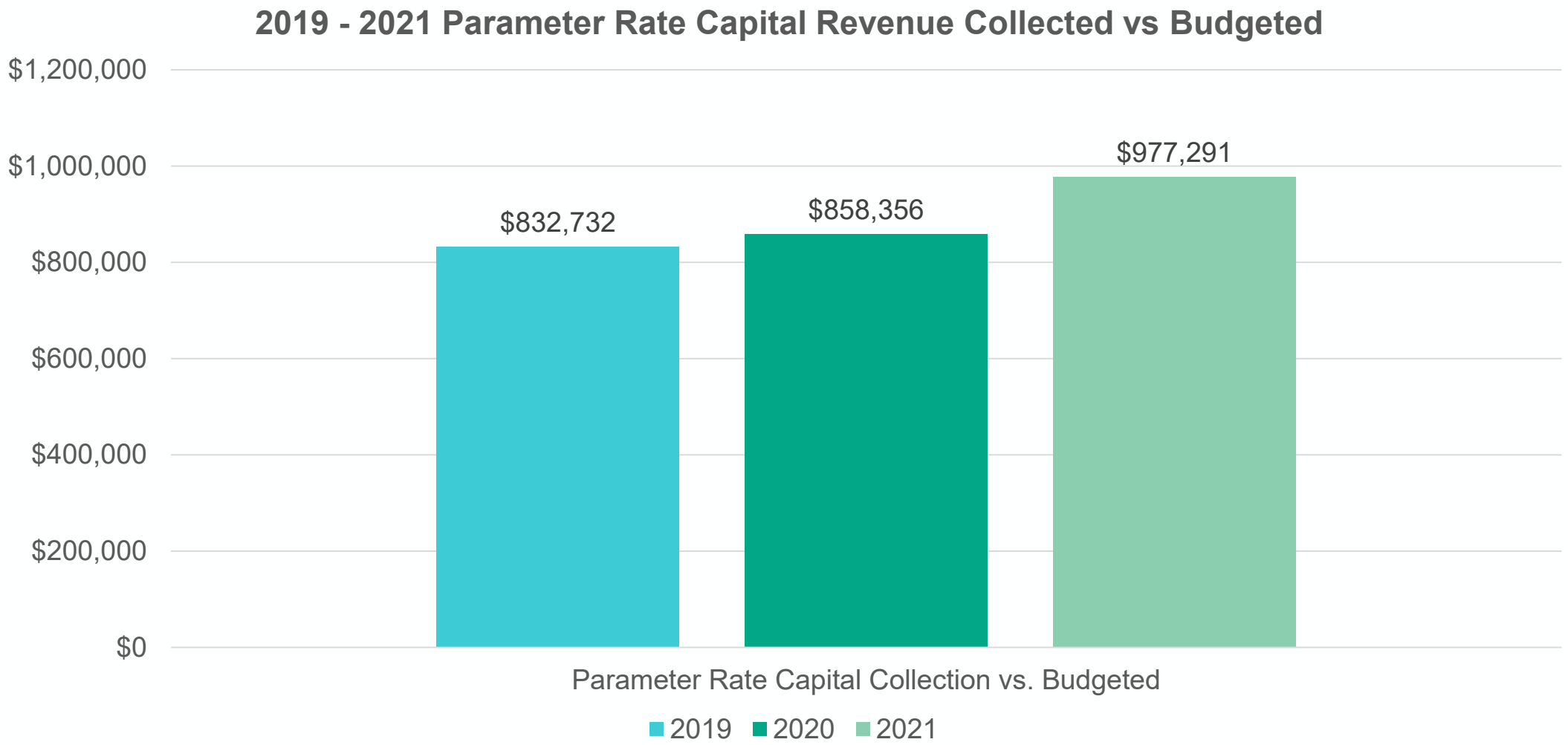


100% of Capital

Capital Charge at 65% and 100%

- If we take the 35% of capital that is currently recovered through unit rates out of those rates, as would occur with a 100% Capital Charge, then:
  - …in high flow and load years GBMSD would collect ***less*** than they do currently (status quo accumulates reserves), but…
  - …at the same time in drier years GBMSD will still be able to meet debt obligations because they will collect ***more*** than they would have otherwise from budgeted capital costs allocated partially to unit rates (status quo can lead to under-collection).
- This is a more stable revenue source and would also increase confidence in estimated bills for customers.

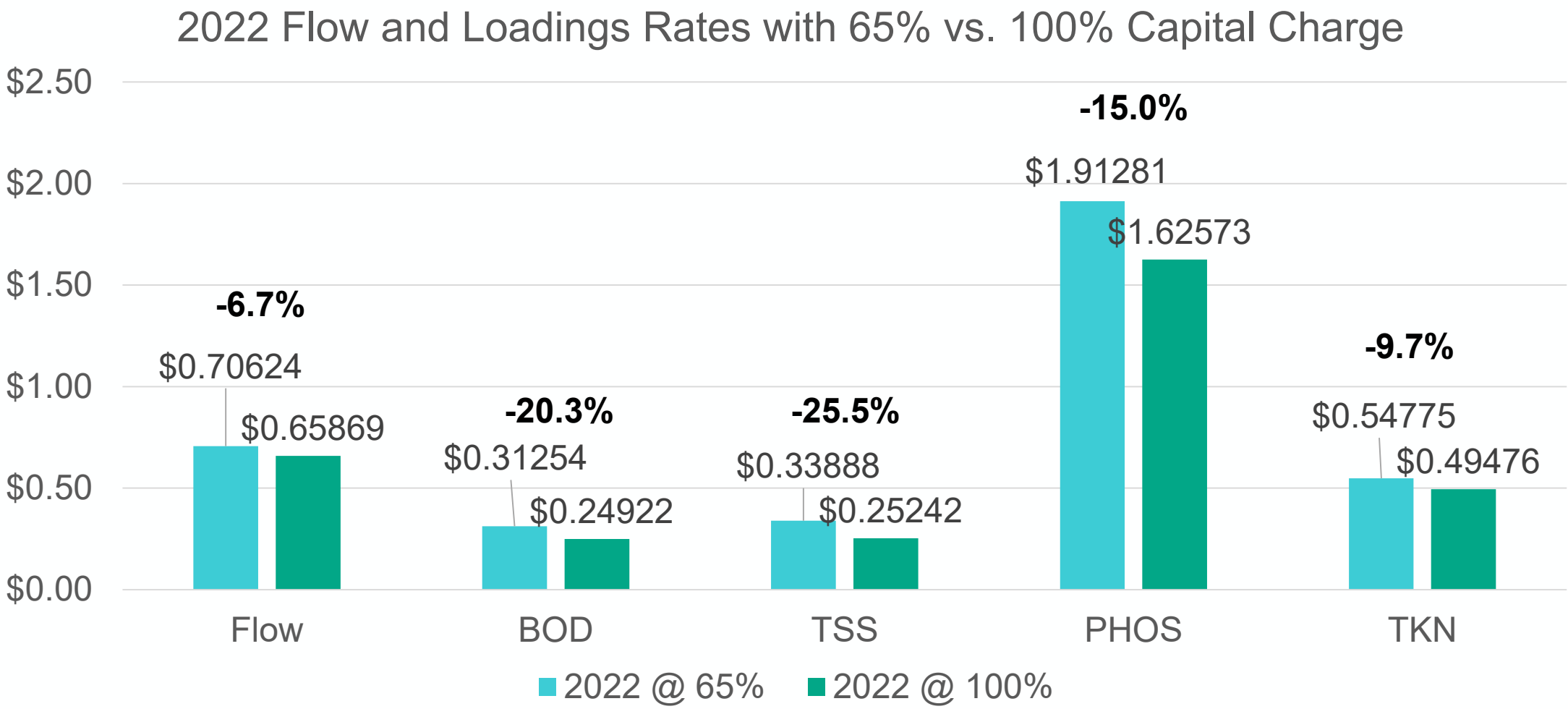
2019 and 2020 were wet years where reserves grew, 2021 was impacted by additional loadings



2022 Capital Charge at 65% and 100%

Customer	Current 65% Capital Charge	100% Capital Charge	$ Change	% Change
City of Green Bay	$6,114,756	$7,823,040	$ 1,708,284	Same for All
City of De Pere	$1,694,397	$2,167,761	$ 473,365	
Sustana Fiber	$787,675	$1,007,728	$ 220,053	
Village of Allouez	$711,565	$910,356	$ 198,790	
Village of Ashwaubenon	$1,837,708	$2,351,109	$ 513,401	
Village of Bellevue	$704,087	$900,788	$ 196,701	
Village of Hobart	$326,400	$417,586	$ 91,186	
Village of Howard	$1,000,773	$1,280,359	$ 279,586	
Village of Luxemburg	$67,626	$86,518	$ 18,893	
Village of Pulaski	$78,504	$100,436	$ 21,932	
Village of Suamico	$375,776	$480,756	$ 104,981	
Ledgeview Sanitary District #2	$216,587	$277,095	$ 60,508	
Lawrence Utility District	$283,623	$362,859	$ 79,236	
Pittsfield Sanitary District	$15,725	$20,118	$ 4,393	
Scott Municipal Utility	$147,680	$188,938	$ 41,258	
Dyckesville Sanitary District	$43,363	$55,478	$ 12,114	
Totals	**$14,406,244**	**$18,430,925**	**$ 4,024,682**	**Δ27.9%**

100% Fixed Charge 2022 Rate Impacts



Discussion

Next Steps

Next Steps

Task 1: Kickoff Meeting & Workshop #1

Task 2: Options Analysis & Workshop #2

Task 3: Path Forward Selection & Workshop #3

Task 4: Commission Meeting

Task 5: Summary Reporting

Task 6: OPTIONAL - Model Incorporation & User Guide Updates

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Thank you!

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