

<p>DATE MAILED Sep 27, 2012</p>

PUBLIC SERVICE COMMISSION OF WISCONSIN

Investigation on the Commission's Own Motion to Revise the Uniform
System of Accounts for Municipal Water Utilities

5-US-118

NOTICE OF INVESTIGATION

<p>Comments Due: Wednesday, October 31, 2012 - 12:00 noon</p>	<p>Address Comments To: Sandra J. Paske, Secretary to The Commission Public Service Commission P.O. Box 7854 Madison, Wisconsin 53707-7854</p>
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THIS IS AN INVESTIGATION to consider revisions to the Uniform System of Accounts (USOA) for municipally owned water and sewer utilities. The revisions are needed to reflect recent changes to Wis. Admin. Code ch. PSC 185, which took effect August 1, 2012. The Commission opens this docket by its authority under Wis. Stat. ch. 196. The Commission intends to conduct this investigation without a hearing.

The Commission intends to investigate the following issues:

1. The need to establish accounts for new customer classifications, including irrigation and multi-family residential customers.
2. The need to update accounting requirements for utilities that implement voluntary water conservation programs.
3. The need for additional technical corrections throughout the USOA.

DOCUMENTS. All documents in this docket are filed on the Commission's Electronic Regulatory Filing (ERF) system. To view these documents: (1) go to the Commission's web site at <http://psc.wi.gov>, (2) enter "5-US-118" in the box labeled "Link Directly to a Case," and (3) select "GO."

COMMENTS. The Commission requests comments on the above issues. Comments are due no later than Wednesday, October 31, 2012, at 12:00 noon. Any utilities, organizations, or interest groups shall file one comment using the Commission's Electronic Regulatory Filing (ERF) system. To facilitate the preparation and receipt of comments, Commission staff has

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prepared a draft of the proposed USOA changes, along with proposed changes to the Water Reference Manual, which are enclosed with this Notice.

To file such a comment, go to the Commission's web site at <http://psc.wi.gov>, and click on the "ERF - Electronic Regulatory Filing" graphic on the side menu bar. On the next page, click on "Need Help?" in the side menu bar for instructions on how to upload a document.

Any members of the general public shall file only one comment either through the Commission's web site or by mail as follows:

- **Web Comment.** Go to the Commission's web site at <http://psc.wi.gov>, click on the "Public Comments" button on the side menu bar. On the next page select the "File a comment" link that appears for docket number 5-US-118.
- **Mail Comment.** All comments submitted by U.S. Mail shall include the phrase "Docket 5-US-118 Comments" in the heading, and shall be addressed to:

Docket 5-US-118 Comments
Public Service Commission
P.O. Box 7854
Madison WI 53707-7854

The Commission will not accept comments submitted via e-mail or facsimile (fax).

Any material submitted to the Commission is a public record and may appear on the Commission web site.

INTERVENTION. Any person desiring to become a party shall file a request for party status, known as a request to intervene, under Wis. Stat. § 227.44(2m) and Wis. Admin. Code § PSC 2.21 no later than 14 days from the date of this notice using the Electronic Regulatory Filing (ERF) system.

To file such a request, go to the Commission's web site at <http://psc.wi.gov>, click on the "ERF - Electronic Regulatory Filing" graphic on the side menu bar. On the next page, click on "Need Help?" for instructions on how to upload a document.

A person desiring to become a party who lacks access to the Internet shall make a request to intervene by U.S. mail addressed to:

Docket 5-US-118 Intervention Request
Public Service Commission of Wisconsin
P.O. Box 7854
Madison, WI 53707-7854

At the time of filing, a copy of the request must be served on existing parties, which may respond to the request within five days. Parties wishing to request intervenor compensation should do so as soon as practicable.

WISCONSIN ENVIRONMENTAL POLICY ACT. This is a Type III action under Wis. Admin. Code § PSC 4.10(3). The Commission will review the potential environmental effects of the project. Type III actions normally do not require the preparation of an environmental impact statement under Wis. Stat. § 1.11 or an environmental assessment.

ASSESSMENT. The Commission considers it necessary, in order to carry out its duties, to investigate all books, accounts, practices, and activities of the applicant. The expenses incurred or to be incurred by the Commission that are reasonably attributable to such an investigation will be assessed against and collected from the applicant in accordance with the provisions of Wis. Stat. § 196.85 and Wis. Admin. Code ch. PSC 5.

AMERICANS WITH DISABILITIES ACT. The Commission does not discriminate on the basis of disability in the provision of programs, services, or employment. Any person with a disability who needs accommodations to participate in this docket or who needs to obtain this document in a different format should contact the docket coordinator listed below. Any hearing location is accessible to people in wheelchairs. The Public Service Commission Building is accessible to people in wheelchairs through the Whitney Way first floor (lobby) entrance. Parking for people with disabilities is available on the south side of the building.

CONTACT. Please direct questions about this docket or requests for additional accommodations for the disabled to the Commission's docket coordinator, Bridgot Gysbers, at (608) 267-0637 or Bridgot.Gysbers@wisconsin.gov.

Dated at Madison, Wisconsin, this 26th day of September, 2012

By the Commission:



Sandra J. Paske
Secretary to the Commission

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Enclosures:

- (1) Proposed changes to USOA
- (2) Proposed changes to the Water Reference Manual

Proposed Revisions to the Water Utility Reference Manual

Public Service Commission of Wisconsin

Proposed Effective Date: *January 1, 2013*

Summary of Changes:

1. Accounts 461.5 (Sales to Multifamily Residential) and 461.6 (Irrigation) were added to Chapter IV – Revenues, along with additional clarifying language.
2. Q3, Q8, Q9, and Q10 were added or updated in Chapter IV - Revenues to reflect the changes in the revenue classes.
3. Definitions for Account 906, 186, and 253 were added to Chapter VIII - Conservation along with additional clarifying language.
4. Q1 and Q2 were added or updated in Chapter VIII - Conservation to reflect a clearer understanding of the accounting between customer incentives and outreach expenses.

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Chapter IV - Revenues

Common Types of Metered Sales

For most water utilities, the majority of revenue comes from metered customers, which is recorded under Account 461, Metered Sales to General Customers. The six customer classifications, and sub-accounts, used by the PSC are defined below.

- Residential (Account 461.1) – customers that have water service provided for residential or domestic purposes. Sales to multiple-dwelling buildings through a single meter serving three or more family units are classified as multifamily residential.
- Commercial (Account 461.2) – a business, not-for-profit organization, or other institution (except governmental) that provides goods or services and that takes service for non-residential purposes. Churches, private schools, private colleges and universities, co-ops, and associations are non-governmental entities and are considered commercial customers.
- Industrial (Account 461.3) – customers engaged in the manufacture or production of goods.
- Public Authority (Account 461.4) – an agency of the local, state or federal government, or a local, state or federal entity. Since public schools are governmental, they are classified as public authority.
- Multifamily Residential (461.5) – customers taking service for a building that is intended primarily for residential or domestic purposes, has three or more dwelling units, and is served by a single water meter. Mixed-use commercial properties, such as apartments mixed with retail, are classified as commercial.
- Irrigation (Account 461.6) – customers that have water service provided primarily for irrigation and other outdoor uses. Irrigation is the use of water to sustain crops, lawns, or landscapes, including water used on athletic fields, parks, and golf courses. This account is used only when a utility has established a separate rate for irrigation customers.

Unmetered sales to general service customers are reported under Account 460. The correct accounts for unmetered water sales to Residential, Commercial, Industrial, Public Authority, Multifamily Residential, and Irrigation customers are 460.1, 460.2, 460.3, 460.4, 460.5, and 460.6 respectively.

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Utilities may establish additional customer classifications, subject to PSC approval. However, for reporting purposes, utilities must consolidate sales and revenues into one of the subaccounts defined above.

Frequently Asked Questions

Q3: How are sales to an apartment building with three or more units recorded?

A: These sales are recorded in Account 461.5 (Multifamily Residential) if water is measured through a single meter. If each unit is individually metered, each unit would be classified as a residential customer and sales are recorded in Account 461.1 (Residential).

Q8: Where do I record revenue from sales of water used to irrigate golf courses, athletic fields, parks, and similar areas?

A: If the utility has established a separate irrigation class with rates authorized by the PSC, metered irrigation sales are to be recorded in Account 461.6 and unmetered irrigation sales are to be recorded in Account 460.6.

If the utility has not established a separate irrigation class, then sales for irrigation purposes should be recorded in the subaccount corresponding to the customer's primary classification (Residential, Commercial, Industrial, Multifamily Residential, or Public Authority).

Q9: Where do I record revenue from a business that also has one or more residences upstairs and the property is served by one meter?

A: Revenues from the mixed-use commercial and residential property should be recorded in Account 461.2 (Commercial). However, a residential property with a home office is not considered commercial. Revenues from these customers should be recorded in Account 461.1 (Residential).

Q10: If a new industry wants to install one or more large meters to avoid sewer charges on a portion of its usage, does some of the revenue go in Account 474?

A: No. Account 474 is used to record revenues from second meters installed only in residential and small commercial settings. These meters are typically less than 2 inches in size. In a larger setting such as a factory, all meters are treated as separate, individual general service accounts and the revenue is recorded in Account 461.3 (Industrial).

Accounting for Costs of Water Conservation Programs

I. ACCOUNTS AFFECTED

Account 186.xx, Miscellaneous Deferred Debits

Account 186 shall include deferral of conservation-related costs for which the Commission has authorized escrow accounting. Conservation-related entries in this account shall be netted annually with corresponding conservation-related entries in Account 253.

Account 186 is charged with actual conservation program costs, including costs incurred by utility personnel. This account should be used only for incremental costs beyond those costs that were incurred before the initiation of the utility's conservation program.

Utilities are required to categorize conservation program costs using sub-accounts that allow for the itemization of costs by the year incurred, conservation program, and cost category.

Account 906.xx, Customer Service and Information Expenses (Classes AB & C)

Account 691.xx, Customer Service and Information Expenses (Class D)

Account 253.xx, Other Deferred Debits.

These sub-accounts (Account 906 and Account 691) shall include the cost of supervision, labor, and expenses incurred in customer services, conservation, and informational activities, the purpose of which is to encourage safe and efficient use of the utility's service, to encourage conservation of the utility's service, and to assist present customers in answering specific inquiries as to the proper and economic use of the customer's equipment utilizing the service.

Account 253 shall include credits for conservation-related costs for which the Commission has authorized escrow accounting. Conservation-related activities in this account shall be netted annually with corresponding conservation-related entries in Account 186.

The amount of conservation program costs approved for recovery in rates will be debited to Account 906.xx (or 691.xx for Class D utilities) and credited to Account 253.xx.

These entries may represent the authorized current year program costs, the amortization of unrecovered prior year program cost accruals, or both. Utilities are required to record these amounts using sub-accounts in a way that allows for the identification of the year the cost was incurred, the specific program, and cost category.

II. IMPLEMENTATION OF CONSERVATION PROGRAMS PRIOR TO INCLUSION IN A RATE CASE.

A. Prior to a Rate Case

A utility that has received Commission approval for its conservation programs outside of a rate case should record its costs in Account 186.xx. It is the utility's responsibility to apply for rate recovery for these costs. If the utility does not request recovery of these costs within two years, these costs must be written off, unless otherwise authorized by the Commission. This provides a utility with a reasonable time within which to recover its costs and avoid the buildup of deferred costs for future rate recovery.

B. At Time of Rate Case

In evaluating whether to allow the recovery of conservation program costs in rates, the Commission will consider the nature of the costs relative to what was approved as well as the overall operations of the applicant for that period in which the costs were incurred. If there are no questions concerning recovery, the test year expense may contain the amortization associated with one or more prior years' accruals in addition to the costs for any new programs approved in the test year. The period generally established for the amortization of the prior year deferrals is 3 to 5 years.

III. IMPLEMENTATION COINCIDENT WITH A RATE CASE.

If a utility has received authorization to initiate conservation programs within a given test year, the utility should record actual expenditures in the appropriate Account 186.xx sub-accounts. The amount of expense approved for the test year would be recorded by debiting Account 906.xx sub-accounts (or Accounts 691.xx for Class D utilities) with offsetting credits being made to Account 253.xx sub-accounts. At the end of each year, an entry should be made to net Accounts 186 and 253 so that there is a balance in either Account 186 or 253 at year-end. Future recovery of actual expenditures above authorized expenses will be subject to time limitations and evaluation criteria similar to those used for program costs incurred prior to inclusion in a rate case. The treatment of under spending is not subject to the two-year limitation, but will be subject to other evaluation criteria relative to overall operations.

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IV. ACCOUNT CROSS REFERENCE

<u>Account Description</u>	<u>Classes AB & C</u>	<u>Class D</u>
Miscellaneous Deferred Debits	186.xx	186.xx
Other Deferred Credits	253.xx	253.xx
Customer Service and Conservation Expenses	906.xx	691.xx

Questions and Answers

Q1: Where should the costs of a PSC approved water conservation program be recorded?

A: The costs should be recorded in Account 186, Miscellaneous Deferred Debits. If the utility has not received Commission approval for its conservation program, conservation expenses should be recorded in Account 906, Customer Service and Conservation Expenses (Classes AB and C) and Account 691, Customer Service and Conservation Expenses (Class D). Conservation expenses would include toilet rebates as well as outreach-related conservation.

Q2: Where are conservation related costs reported if the utility has not received prior Commission approval?

A: If the utility has not received Commission approval for its conservation program, toilet rebates as well as outreach expense should be reported in Account 906, Customer Service and Conservation Expenses (Classes AB and D) and Account 691, Customer Service and Conservation Expenses (Class D). The Commission will evaluate the reasonableness of the conservation-related costs during the utility's next rate case to determine whether to allow recovery through rates.

Proposed Revisions to the Uniform System of Accounts (USOA)

Proposed Effective Date: January 1, 2013

Summary of Changes

1. AC 186 Miscellaneous Deferred Debits – Contains additional language for clarification.
2. AC 253 Other Deferred Debits – Contains additional language for clarification.
3. AC 460.5 / AC 461.5 Unmetered/Metered Sales to Multifamily Residential – New accounts added for compliance with customer classes as defined in Wis. Admin. Code PSC 185.
4. AC 460.6 / AC 461.6 Unmetered/Metered Sales to Irrigation Customers – New accounts added for compliance with customer classes as defined in Wis. Admin. Code PSC 185.

NOTE: Revisions to the USOA are shown as underlined text.

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Balance Sheet – Liabilities and Other Credits – Deferred Debit Accounts

186 Miscellaneous Deferred Debits

- A. This account shall include all debits not elsewhere provided for, such as miscellaneous work in progress, and unusual or extraordinary expenses, not included in other accounts, which are in process of amortization, and items the proper final disposition of which is uncertain.
- B. This account shall include deferral of conservation-related costs for which the Commission has authorized escrow accounting. Conservation-related entries in this account shall be netted annually with corresponding conservation-related entries in Account 253.
- C. The records supporting the entries to this account shall be maintained so that the utility can furnish full information for each deferred debit.

253 Other Deferred Credits

- A. This account shall include advance billings and receipts and other deferred credit items, not provided for elsewhere, including amounts which cannot be entirely cleared or disposed of until additional information has been received.
- B. This account shall include credits for conservation-related costs for which the Commission has authorized escrow accounting. Conservation-related entries in this account shall be netted annually with corresponding conservation-related entries in Account 186.

Operating Revenue Accounts – Introduction and Instructions

The Operating Revenue Accounts section provides the accounting detail for the classification and recording of revenues resulting from the sales of water, water-related services, rents, and other miscellaneous utility activity for which the utility is compensated.

1. Water sales are recorded by customer class and reflect sales to both metered and unmetered customers.
2. Public fire protection service is paid by the municipality, directly by the customer or by some combination of both.
3. Private fire protection service is provided to customers electing additional fire protection and is based on the size of the unmetered-connection to the utility's water main.
4. Other operating revenues including forfeited discounts, rents from water property, interdepartmental rents, and other miscellaneous water revenues shall be recorded in this section.

1. Sales of Water

460 Unmetered Sales to General Service Customers Revenues
460.1 Unmetered Sales to Residential Customers
460.2 Unmetered Sales to Commercial Customers
460.3 Unmetered Sales to Industrial Customers
460.4 Unmetered Sales to Public Authorities Customers
460.5 Unmetered Sales to Multifamily Residential Customers
460.6 Unmetered Sales to Irrigation Customers

461 Metered Sales to General Service Customers
461.1 Metered Sales to Residential Customers
461.2 Metered Sales to Commercial Customers
461.3 Metered Sales to Industrial Customers
461.4 Metered Sales to Public Authorities Customers
461.5 Metered Sales to Multifamily Residential Customers
461.6 Metered Sales to Irrigation Customers

462 Private Fire Protection Service
463 Public Fire Protection Service
465 Other Water Sales
466 Sales for Resale
467 Interdepartmental Sales

2. Other Operating Revenues

470 Forfeited Discounts
472 Rents from Water Property
473 Interdepartmental Rents
474 Other Water Revenues

Account Descriptions

1. Sales of Water

460 Unmetered Sales to General Service Customers

- A. This account shall include the billing for water supplied for residential, commercial, industrial, public authority, multifamily residential, and irrigation purposes where the charge is not dependent in any way on the quantity of water delivered but is based on residential equivalent units (REU), diameter of service pipe, number of rooms, foot of frontage or other similar unit.
- B. Records shall be maintained so that the estimated quantity of water sold and the amount of revenue under each rate schedule shall be readily available.
- C. This account shall be subdivided at least as follows:
 - 460.1 Unmetered Sales to Residential Customers
 - 460.2 Unmetered Sales to Commercial Customers
 - 460.3 Unmetered Sales to Industrial Customers
 - 460.4 Unmetered Sales to Public Authorities Customers
 - 460.5 Unmetered Sales to Multifamily Residential Customers
 - 460.6 Unmetered Sales to Irrigation Customers

461 Metered Sales to General Service Customers

- A. This account shall include the billing for measured water supplied for residential, commercial, industrial, public authority, multifamily residential, and irrigation purposes where the total charge is, or may be, in any way dependent on the quantity of water delivered.
- B. Records shall be maintained so that the quantity of water sold and the amount of revenue under each rate schedule shall be readily available.
- C. This account shall be subdivided at least as follows:
 - 461.1 Metered Sales to Residential Customers
 - 461.2 Metered Sales to Commercial Customers
 - 461.3 Metered Sales to Industrial Customers
 - 461.4 Metered Sales to Public Authorities Customers
 - 461.5 Metered Sales to Multifamily Residential Customers
 - 461.6 Metered Sales to Irrigation Customers