RE: Paddock Lake Application – [4510-CW-103](http://apps.psc.wi.gov/vs2017/dockets/content/detail.aspx?id=4510&case=CW&num=103)

**Paddock Lake attendees**:

* Tim Popanda, Village Administrator - [TPopanda@paddocklake.net](mailto:TPopanda@paddocklake.net) - (262) 843-3617 or cell (262) 206-8113
* Doug Snyder, Engineer for Paddock Lake from Baxter and Woodman - [dsnyder@baxterwoodman.com](mailto:dsnyder@baxterwoodman.com)

**PSC attendees**:

* Andy Galvin – Assistant Administrator of the Water Division
* Mark Williams – Public Service Engineer
* Denise Schmidt – Policy Initiatives Advisor
* Kathy Butzlaff – Public Utility Auditor
* Mark Ruszkiewicz – Staff Attorney
* Matthew Spencer – Public Information Officer (608) 267-3589

Andy Galvin – appreciates the difficulty Paddock Lake faces. PSC regulatory authority must balance two things: utilities must have financial wherewithal to run the business and must protect the ratepayers.

**Criteria** (state stats. [Chapter 196](https://docs.legis.wisconsin.gov/statutes/statutes/196))

* 1. Substantially impair the (?? does / does not and what ??)
  2. Provides facilities that unreasonably or in excess of future requirements (if project is bigger than necessary, you end up with “stranded assets”. This is actually a current concern with Paddock Lake well 3.
  3. Does project add to cost of service without adding value relative to that cost

**Situation**

* PSC must consider the impact to rates now and in the near future – not in the far distant future.
* For this project, are looking at what rates would be in 2020.
* Current situation for the utility is worrisome to the PSC from financial perspective.
* They think current rates would have to be increased (probably substantially) for PSC to be comfortable with current structure.

Kerkman – this is an overdue project (something looked at 10 years ago). Need to do something because projected growth in region cannot be supported on this system. System needs to be improved; situation will be much worse if it fails tomorrow. Also mentions significant impact of flooding last summer. Kerkman just wants to help get to a yes. Thankful for assistance of Stephanie last week and Matt Spencer.

Andy Galvin – as of last week have full understanding of the scope of the project; now have everything they need to go forward. Will be significant increase to rate-payers. Will go to commission; will issue a notice of proceeding (proceeding estimated in July). Then have hearing about a month later (estimated August). Then goes back to commission for decision and order. Timeline approx. 3 months.

**PSC has discussed two alternatives**:

* Update without expansion (not proposed) – rates would end up higher than update with expansion
* Update with expansion (proposed)

Mark Williams (engineer) or Mark Ruszkiewicz (attorney) [not sure which Mark] - comment on preference for choosing commissioners and hearing process over straight approval. Steve Knudsen has oversight; in contested cases where he cannot make decision, goes directly to the 3 commissioners.

**Financial:**

Tim P – would like to go over numbers and hear what the staff’s recommendation to the commission will be.

PSC – staff probably not there yet. Hearing provides info that staff will utilize in making recommendation / taking position. Ultimately, everyone wants to get to an approval. Hearing would be in the municipality & at Hill Farms in Madison.

Tim – still wants to go over numbers. Especially the rate impact numbers from PSC if no expansion of system and still need to make improvements.

PSC turning over to Kathy Butzlaff (Public Utility Auditor) for numbers.

Kathy Butzlaff –

* Question/comment about other funding sources – i.e. special assessments, etc.
* She included those other funding sources presented. Without doing so, would have been even higher – 400%, etc.
* Draft costing handout is closer back of envelope numbers at this time.
* Draft is based on what they received this week on project – work on wells 1 &2 and Hwy 50 work, but no well 3 work or pump station.
* Section 1 – revenue forecast for 2020 at current rates
* Section 2 – PILOT (payment in lieu of taxes) – see referendum discussion in PL (?)

Matt Spender concludes with offer to keep Kerkman & Wanggaard abreast of each step in process.