**BEFORE THE**

**PUBLIC SERVICE COMMISSION OF WISCONSIN**

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Application of the Village of Paddock Lake,

Kenosha County, Wisconsin, to Construct Docket No. 4510-CW-103

Water System Improvements

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**DIRECT TESTIMONY OF PATRICK PLANTON**

**ON BEHALF OF THE VILLAGE OF PADDOCK LAKE**

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**Q. Please state your name and business address.**

A. My name is Patrick Planton. My business address is 115 South 84th Street, Suite 220, Milwaukee, Wisconsin, 53214.

**Q. Please state your occupation.**

A. I am the Water Department Manager for the consulting engineering firm of Baxter & Woodman. I serve as the manager of Baxter & Woodman’s Wisconsin Division.

**Q. Please describe your educational and professional history.**

A. I am a registered Professional Engineer in Wisconsin and have worked on drinking water engineering projects for over 30 years.

In 1982, I received a Bachelor of Science Degree in Civil and Environmental Engineering from the University of Wisconsin-Madison. In 1995, I received a Masters Degree in Business Administration from the University of Wisconsin-Oshkosh. I have also completed several graduate level civil engineering courses at UW-Madison.

I have worked in the consulting engineering business for 35 years; in Chicago, Illinois between 1983-1987, and in Wisconsin since August 1987. In 1983, I accepted an engineering position with Sargent & Lundy Engineers. In this position, I was involved in completing structural engineering designs for the Byron and Braidwood nuclear power plant projects for Commonwealth Edison electric utility company.

In 1987, I accepted a position as a drinking water engineer at the Wisconsin-based consulting engineering company Donohue & Associates, Inc. In this position, I was directly involved in the engineering design and management of numerous drinking water projects, including groundwater supply, storage, treatment and distribution, utility master planning, hydraulic computer modeling, supervisory control and data acquisition (SCADA) systems, and utility rates and financial planning. I was promoted to Senior Project Manager of drinking water projects in 1995, and Assistant Water Department Manager in 2000. In 1993, Donohue was acquired by Waste Management Corporation and merged with Rust Engineering. In 1998, Rust Engineering was purchased by Tyco Corporation and merged with Earth Tech Inc. In the 15 years I worked for Donohue/Rust/Earth Tech, I worked directly for dozens of public and investor-owned water utilities throughout the United States.

In 2002, I accepted a Senior Water Project Manager position with Short Elliott Hendrickson (SEH). SEH is headquartered in St. Paul, Minnesota, with 30 offices in 10 Midwestern and Rocky Mountain states. In 2007, I was named as the Water Practice Leader for SEH. In 2008, I was chosen as a Director for the Board of SEH’s wholly-owned subsidiary SEH Design|Build, and was also named as a principal in the firm. In 2009, I was named as the manager of the SEH Appleton Office. In 2012 I moved to the St. Paul MN office to become the Water/Wastewater Practice Leader. In June 2013, I moved to Milwaukee and also served in a business development role for SEH’s Milwaukee Office. In 2017, I accepted the Water Department Manager position with Baxter & Woodman Engineers. Baxter & Woodman is headquartered in Crystal Lake, Illinois, with 10 offices in Illinois, Wisconsin and Florida. In 2018, I was named as the Wisconsin Division Manager.

I served on the Board of Trustees of the American Water Works Association – Wisconsin Section for six years between 2011-2016, served as Section Chair in 2015, and was presented with AWWA’s Fuller Award in 2017.

**Q. What other qualifications and experience do you have that makes you qualified to offer testimony in this case?**

A. During my 15 years at Donohue/Rust/Earth Tech, 15 years at SEH, and past year with Baxter & Woodman, I have been the recognized corporate expert in the field of water utility rates and financial planning. I have completed many water utility rate and cost of service studies; prepared Wisconsin PSC annual reports and rate case applications, as well as provided testimony at PSC rate case public hearings on behalf of my municipal water utility clients. I have worked on water utility rate projects in Wisconsin, Illinois, Minnesota, Indiana and Virginia. Most of my water utility rate projects have been with Wisconsin public water utilities. The largest water utility rate study I worked on was for the City of Chicago in 1999. I provided testimony at the Milwaukee Water Works contested rate cases in 2010 and 2014 on behalf of Milwaukee’s wholesale customers.

Since 1994, I have given over 20 presentations on water utility rates and finances at state and regional conferences in Wisconsin, Minnesota, Illinois, Colorado and South Dakota. A copy of my resume is attached as Ex.-Direct-Planton-1.

**Q. Have you been retained by the Village of Paddock Lake with respect to this project?**

A. Yes.

**Q. What is the purpose of your testimony?**

A. I will address the costs to the Village of Paddock Lake Water Utility and water utility ratepayers associated with Paddock Lake’s Request to Construct water system improvements as noted in its Application.

**Q. Are the opinions you express in this testimony to a reasonable degree of professional certainty?**

A. Yes.

**Q. What is the water utility’s total annual revenue from retail sales?**

A. Current total annual revenue from retail sales in 2017 was $93,262. Ex.-Direct-Planton-2. However, with the proposed project and resulting increased customer base, the utility projects revenue for 2020 at approximately $142,000. Ex.-Direct-Planton-2. This projected revenue is calculated based on the demand projections shown at Ex.-Direct-Marchese-5.

**Q. What is the assumed return on rate base?**

A. PSC has authorized a rate of return on Paddock Lake Water Utility’s net investment rate base of 5 percent. However, based on the anticipated debt service that will be incurred by the Utility from the long term funding for the improvements, the Utility may request a lower than 5 percent rate of return.

**Q. What funding sources does the Village plan to use to fund this project?**

A. The Village has applied for a United States Department of Agriculture (USDA) Rural Development loan, and has received approval from USDA for that loan for a total amount of $4,803,470. This loan will be secured by a Mortgage Revenue Bond for a term of 40 years at an interest rate of 2.375 percent. Ex.-Direct-Planton-3. The annual debt service payment for this approved loan is $171,828, with the initial annual interest amounting to approximately $112,000 per year.

**Q. What is the anticipated rate impact of this project on ratepayers based on the projections discussed above?**

A. Assuming a 5% rate of return, the total revenue required is approximately $257,400. This represents an increase in utility revenue requirement of 181%, or an estimated increase in customer rates from a current average quarterly rate of $105.86 per customer to an average quarterly rate of approximately $192 per customer. Ex.-Direct-Planton-2. The average quarterly rate per customer would be lower with a lower rate of return, as described above.

**Q. Why is the payment in lieu of taxes (PILOT) not included in the cost calculation?**

A. The Paddock Lake Water Utility does not currently incur a PILOT expense from the Village of Paddock Lake. The Village will not be requiring a PILOT payment from its water utility following the completion of these system improvements.

**Q. In this proceeding, the PSC is to consider whether the project, when placed in operation, will add to the cost of service without proportionally increasing the value or available quantity of the service of the utility. Based upon your knowledge and experience as a professional water supply engineer, do you have an opinion on whether the project, when placed in operation, will add to the cost of service without proportionally increasing the value or available quantity of the service of the utility?**

A. It is my opinion as an experienced professional water supply engineer that the proposed project by the Paddock Lake Water Utility will significantly increase the value of the utility, increase the available quantity of water service, improve water quality delivered to customers, increase the reliability of system operation, and provide water for public fire protection that is currently unavailable from the current municipal water system. I reach this conclusion based on my own knowledge and experience, in addition to the testimony supplied by Joseph Marchese regarding the necessity of the proposed improvements to the viable operation of the water system.

**Q. Does this conclude your pre-filed testimony?**

A. Yes.

[END]