

## NEW Water 2014 Budget Information

### Who is NEW Water?

- Round-the-Clock Water Stewards. NEW Water, the brand of the Green Bay Metropolitan Sewerage District, is comprised of highly trained, skilled, dedicated employees proud to be stewards of Wisconsin's waters: engineers, biologists, environmental compliance specialists, chemists, mechanics, electricians, safety specialists, machinists, certified wastewater treatment operators, IT, field services technicians, and more.
- Proudly serving the greater Green Bay community since 1931, NEW Water treats 38 million gallons of water per day and maintains 110 miles of sewer pipes across a 285-square mile service area to 219,000 residents. NEW Water is a wholesale provider of services to 17 municipal customers.



### Why does NEW Water matter?



- **Community asset:** Converting waste and providing clean water resources to the community.
- **Environmental stewardship:** For the 10<sup>th</sup> year in a row, NEW Water has achieved recognition for 100% permit compliance from the National Association of Clean Water Agencies (NACWA). With about 16,000 publicly owned treatment facilities in the United States, NEW Water was one of 158 facilities presented with the NACWA Platinum award for 2012, with only 61 facilities at the Platinum 10 or higher compliance level.
- **Essential:** Clean water is fundamental to economy, health, and quality of life.

### What does it take to run a 24-7-365 clean water utility?

NEW Water is regulated under federal and state rules, is capital-intensive, and has a state-certified labor force. NEW Water manages over \$300 million in fixed assets, including highly complex wastewater treatment machinery, interceptors (big pipes), manholes, lift stations, and more, throughout a 285-mile service area.

NEW Water services about 1,200 interceptor access structures, which include air release valves, lift stations, and flow metering stations. NEW Water manages nearly 4,000 Digger Hotline queries annually to help homeowners and construction companies avoid damaging underground sewer pipes during excavations.

### What are NEW Water's proposed rates for 2014? Why are rates increasing from 2013?

The 2014 budget reflects an overall 12.5% rate increase over the 2013 budget.

The main drivers for this increased rate are: higher debt service for the Resource Recovery and Electrical Energy (R2E2) Project and other essential capital projects; a significant decrease in loadings from an industrial discharger, resulting in cost sharing amongst fewer customers; and the launch of adaptive management planning. NEW Water will embark on Adaptive Management to help reduce the amount of phosphorus discharged into the community's waters. The total 2014 budget is projected at \$33.8 million, with 59% of that amount operating & maintenance costs, and 41% capital and debt service costs.

**What is the R2E2 Project? How much will it cost?**

The R2E2 Project is an energy-forward solution to NEW Water's solids handling needs: a facility that will replace aging infrastructure, comply with increased environmental regulations, and meet needs for increased capacity. Slated to go on-line in late 2017, the project is expected to net an annual 50% reduction in energy use. The total project cost has been estimated at \$147 million.

**How does NEW Water calculate its budget?**

The budgeting process involves balancing NEW Water's commitment to providing safe, reliable, round-the-clock service, with sound environmental and financial stewardship. The NEW Water budgeting process commences more than six months in advance of its adoption, and is based upon best-available information gathered from customers' estimated flows and loads for the following year, as well as projected expenses for debt service, capital projects, and operations and maintenance. NEW Water staff presents the budget to the Commission (five-member, appointed body), which ultimately votes on the budget's adoption, usually in November.

**How does NEW Water calculate sewer rates?**

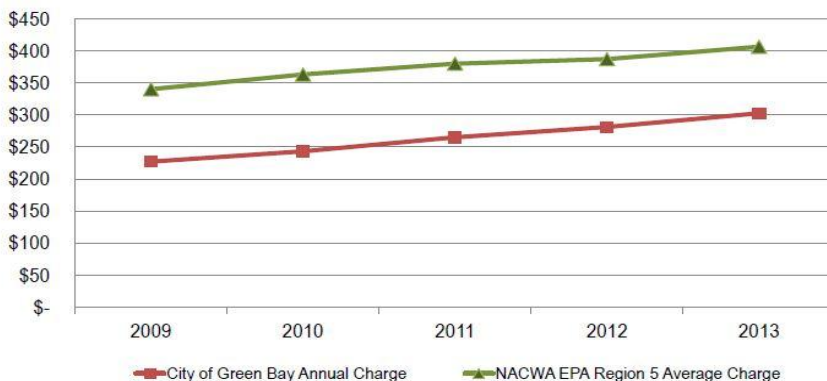
NEW Water is a wholesale provider of services. NEW Water bills municipalities, which in turn add on local sewer system costs and then bill their customers.

NEW Water rates are based on flows and loads in the received wastewater (flow is the amount of liquid; load is the organic and solid component), and the composition of that material, based on five parameters: Volume, Biochemical Oxygen Demand (BOD), Total Suspended Solids (TSS), Phosphorus (P), and Total Kjeldahl Nitrogen (TKN). Rates are revised yearly, looking at previous year's actual output as well as future projections from municipalities.

**How do Green Bay area rates compare with the region?**

NEW Water's rates fall below the regional average (Environmental Protection Agency [EPA] region 5 covers the following states: Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin).

**NEW Water Sewer Service Charge Comparison**



### **What are NEW Water's projected expenses for capital projects for 2015 and beyond?**

NEW Water projects spending on capital projects as part of a 20-year planning horizon. While the \$147 million R2E2 Project is the largest one over the next five years, NEW Water projects an additional \$70 million to be spent on capital projects during that period, primarily replacing aging infrastructure.

### **Why are rates projected to increase in 2015 and 2016?**

NEW Water's debt payment for the R2E2 Project and other essential capital projects will ramp up over the coming years as project costs are incurred. In 2016, construction for R2E2 will be in full swing, and majority of equipment purchases will be made in this year as well.

### **Does NEW Water have a new 'fixed charge' component?**

Yes. A Stakeholder Advisory Group (SAG) comprised of NEW Water customers convened in 2012 and 2013 to provide input on a rate methodology study. The study's purpose was to analyze and recommend a new rate methodology that allocates costs in an equitable and defensible manner, while accounting for new debt services and allowing for greater financial stability for NEW Water. In May 2013 the NEW Water Commission approved the new methodology, which will earmark 15% of NEW Water's total annual revenues as a fixed charge to cover debt and capital payment. The new methodology does not increase or decrease overall rates; it is rather a new cost of service allocation model. A fixed charge component of rates is common practice amongst capital-intensive water and wastewater utilities across the United States.

### **What are NEW Water's reserve funds? How are they used?**

NEW Water has reserve funds, which are restricted by Wisconsin state law and policy as set forth by the NEW Water Commission. In order to avoid levying taxes, the NEW Water Commission requires that NEW Water have sufficient reserves on hand each year to cover its debt obligations. NEW Water also has reserves dedicated to interceptor repair and replacement as well as plant equipment repair. These funds are an important safeguard to ensure that its facilities are kept in good repair so its customers may continue to send their wastewater, around the clock, to NEW Water for treatment.

### **Why do sewer rates increase each year?**

In the greater Green Bay community and across the United States, wastewater treatment operations were built many years ago. These capital-intensive operations are aging and the facilities must periodically be replaced, which is a costly business. In addition, environmental regulations imposed on NEW Water continue to be more stringent, requiring construction of more facilities to meet those regulations. The American Society of Civil Engineers does a review of water and wastewater infrastructure every three years and its most recent review gives wastewater infrastructure across the United States a "D" report card rating (<http://www.infrastructurereportcard.org/wastewater/>). Furthermore, federal and state government once subsidized much of these costs, which resulted in savings passed along to the community; that is no longer the case. For example, 77% of the Green Bay Facility constructed in the 1970's was paid for by government grants; in 2010, NEW Water secured \$21 million in federal stimulus grants for plant improvements. The State of Wisconsin's Clean Water Fund Loan also has been significantly reduced in recent years, meaning that NEW Water's cost for financing capital projects will be more costly than in the past.

Cost savings are continually sought and implemented by NEW Water staff. A Value Engineering study was conducted for the R2E2 Project, resulting in \$2 million in savings. Lean projects are ongoing, netting greater efficiencies and cost savings. NEW Water is working with the EPA and DNR to find cost-effective solutions to regulatory requirements. Because of sound financial housekeeping, Moody's in 2013 has bestowed NEW Water with a Triple A bond rating, which means better financing and savings passed along to customers. NEW Water will

continue to look for the most cost-effective ways to provide the reliable, round-the-clock service customers have come to expect.

**How can I get more information?**

NEW Water's website features more information about its services as well as the full budget: [www.newwater.us](http://www.newwater.us).

Also, NEW Water regularly makes presentations in the community. To schedule a presentation, please contact (920) 432-4893.

NEW Water is the brand of the Green Bay Metropolitan Sewerage District. NEW Water is proud to be serving the greater Green Bay community for more than 80 years. [www.newwater.us](http://www.newwater.us)

