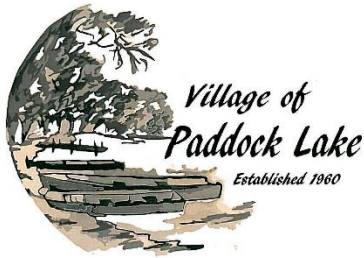


VILLAGE OF PADDOCK LAKE WATER UTILITY DISTRICT



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Dear Water Utility Customer,

The Village Water Utility District is providing you with an update of recent improvements performed to the existing water utility infrastructure and providing you notice of new water billing rates. These improvements included the replacement of the 1956 water system pumping and treatment equipment, building and storage reservoir; the project further included fire protection storage and pumps that did not exist with the 1956 system.

For nearly six decades, the Utility has reliably supplied clean and safe drinking water to its customers. The existing facilities and equipment were well beyond their useful life and required improvements to ensure continued reliability.

Newly imposed water rates have been established and set by the Wisconsin Public Service Commission, these new water rates have been established based on a two-step rate structure. The first step sets water volume charges have been set at \$12.21 per 1,000 gallons of water used, while step two will go into effect when the new customers along State Highway 50 have connected and then at that time the volume rate will decrease to \$9.39. As more development and customers connect to the water system, the Water Utility intends to make application in 2023-2024 to the Wisconsin Public Service Commission for a new water rate study that should lower rates further.

The following further addresses concerns and questions pertaining to the water system improvements and newly imposed water user rates:

What is the Paddock Lake Water Utility District?

The Paddock Lake Water Utility District (Utility) is a small utility providing drinking water to its current 290 customers and located on the east side of Paddock Lake. The system, with the Hwy 50 water main extension now includes areas along Hwy 50 and west of Hwy 83 and will serve 480 users by 2023.

What was the Water Supply Improvement Project?

This now completed project included the replacement of the original 1950's equipment, buildings and storage; the addition of pumps and storage to provide fire protection and an increased quantity of water to existing customers and for future water customers.

Why was the improvement project necessary?

The existing 1956 system was operating on borrowed time; the equipment was more than 60 years old and the Wisconsin Department of Natural Resources (WDNR) served the Village with written orders to correct deficiencies related to old equipment. The Village Utility determined that now was the appropriate time to make the necessary improvements.

Why was water provided to the those along Hwy 50 and why was the east side water system connected to the west side water system?

A simple answer to this is economy of scale. By connecting the two systems together the utility gains 101 new commercial customers along with 89 new residential customers that will all assist with funding the improvements, system operations and assist with lowering future water customer rates.

What was the overall cost of the improvement project and Hwy 50 water main?

The overall project costs was \$4,900,000 of this amount \$1,800,000 is attributed to the construction of the Hwy 50 water main, the remaining \$3,156,000 is attributed to replacing the existing facility.

Who will be paying for the Hwy 50 water main project?

All businesses, school, Kenosha County Park system and property owners with lands abutting STH 50 will fund the water main project through imposed special assessments.

Who will be paying for the system improvements?

The water users or customers (including new customers) of the Utility will be paying the debt service associated with the improvements along with operational costs. These costs will be funded with water system user rates.

Did the Village and or Utility explore alternatives to this project?

Yes. The initial study process considered four system improvement options ranging from purchasing water from the City of Kenosha, interconnection of Paddock Lakes’ utility with the Village of Bristol, improving the existing east side system without interconnecting with the west side system and the project that was selected for cost savings. The following shows the costs associated with the four options:

Option description	Estimated costs per option
Option 1, Purchase water from Kenosha	\$5,000,000 to \$6,000,000
Option 2, Connect system to Bristol	\$5,500,000
Option 3, Improve east side system as standalone system	\$4,200,000
Option 4, Interconnect systems	\$3,156,000 (system improvement)

Will the water users’ rates increase because of this project?

Yes, but the rates needed to increase before this project was implemented. The current water rates are presently lower than they should be to fund the system operational costs.

How will the new water utility rates affect my water bill?

Beginning with the second quarter (April 1, 2021), the individual water rates will increase from the current volume rate of **\$3.44 per 1000 gallons** of water used to **\$12.21 per 1000 gallons** used. Single family residential customers will likely see the following changes, the future rates (**step two**) are dependent on the number of users added to distribute the costs.

Water customers using an average of **4,000 gallons per month**.

	Monthly meter charge	Current Volume rate \$3.44/4000	Step 1 volume rates \$12.21/4000	Step 2 Volume rates \$9.39/4000	Total Monthly water rates
Current charges	\$11.59	\$13.46			\$25.35
Step 1	\$14.00		\$48.84		\$62.84
Step 2	\$14.00			\$37.56	\$51.56

Why is the new rate so high?

Over the past 20 years the water utility implemented small Public Service Commission rate adjustments using the Public Service Commissions simplified rate case format, in 2005, 2008 and 2010 the Public Service Commission authorized a 3% rate increase each of these years. The Utility and the Public Service Commission should have imposed a 65% rate increase, however, due to the national economy, the Public Service Commission only authorized the simplified rate adjustment. If the 65% increase had been imposed this increase would be less intrusive.

Who determined this rate increase?

The Wisconsin Public Service Commission performed the water rate case study using information provided by the Utility. Wisconsin Public Service Commission imposed/ordered the new rates based on the number of users, operational costs, debt service and required replacement funding.

Will new customers be paying the same rates?

Yes, the imposed water rates are the same for existing and new customers.

How does Paddock Lake compare to nearby communities?

The Village water rates have been lower than they should have been for multiple years, the new step one rate is higher than many surrounding rates, however, with the implementation of steps 2 and future rates will be in line with neighboring communities. The table below lists surrounding community rates and charges for 4,000 gallons of water per month:

Community	Monthly meter rate	Volume 1,000 gallons	Effective	Monthly
Bristol	\$13.59	\$6.53	3/1/020	\$39.51
Pleasant Prairie	\$15.00	\$7.65	10/7/019	\$45.60
Somers	\$10.42	\$7.96	10/20/017	\$42.26
Genoa City	\$13.00	\$9.09	7/11/020	\$49.36
Elkhorn	\$10.00	\$12.16	8/22/019	\$58.64
P.L. Step One	\$14.00	\$12.21	4/1/021	\$62.84
P.L. Step Two	\$14.00	\$9.39	4/1/022	\$51.56

What has been the history and timeline of this project?

The water Utility and Village Board of Trustees has held 106 open and publicly posted meetings on this topic since 2016, and the topic of water rates and improvement has been reported on by area media sources at least 5 times. In addition, the Wisconsin Public Service Commission in route to approving the construction project and water rates held a public hearing in the Village vs Madison to give water customers the opportunity to provide comment.

Will the Utility be extending water service to other parts of the Village?

NO. The Utility has no plans to extend water service to areas already served by private water wells.

Did the Village and Utility explore obtaining Federal and State Grants to fund the project?

Yes. The United States Department of Agriculture (USDA) denied the grant request because the Villages existing Low to Moderate Income (LMI) rating. The Village resident's household income exceeds Federal Governments income limits for qualifying for grant assistance. The Village did however qualify for a 40-year USDA Rural Development loan with an interest rate of 1.875%.

Will water rates continue to increase?

No, the imposed rate structure has two (2) steps, step one will go into effect this April, while step two will go into effect next year after new customers connect. The Utility anticipates that with a subsequent rate case application for steps 3 and 4 and after more customers are added that the Public Service Commission will allow the rates to be lowered even further.

Did this improvement project address lead water laterals?

The existing and new system has been thoroughly investigated and found not to have any lead laterals.

Why was a water tower not constructed with this improvement project?

An elevated water tower was not an option for water storage, based on physics and our Wisconsin Winters, a water tower would not work with the size of our current system.

If I have additional questions, who should I contact?

The Village Administrator is available to meet and answer questions.

Tim Popanda

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In Addition, the Wisconsin Public Service Commission website can be accessed for additional documents and information, the PSC case number for Paddock Lake Water Utility is 4510-CW-103 and 4510-WR-104.