

TO: Racine Waterworks Commission
FROM: Christine DeMaster, Trilogy Consulting
DATE: June 12, 2026
RE: Water Rate Case

Summary:

The Water Utility has not increased user charge rates since 2020. Since then, operation and maintenance expenses have increased. More significantly, the Utility has been investing substantial amounts in the improvement, renewal, and replacement of water system infrastructure needed to provide safe drinking water to the entire service area. The Utility has incurred and will incur substantial new debt service for these improvements. In addition, as the amount of utility assets increases, so does the payment in lieu of taxes (PILOT) to the City of Racine.

Operating revenues have thus far been sufficient to cover the Utility's financial commitments but need to be increased to cover the anticipated debt service for 2027 capital improvements and provide cash funding for ongoing routine capital improvements. Since the Public Service Commission of Wisconsin (PSC) must approve all water rate increases, and since this process takes at least 6-9 months, it is recommended that the Utility apply to increase user charge rates before this year's deadline of August 1, 2026.

The rate increase is anticipated to take effect in two phases with the first phase to be implemented in third quarter 2027 and the second phase to be implemented in second quarter 2028.

Fiscal Impact:

Racine water rates are currently below average compared to other peer utilities. The estimated rates will increase the quarterly water bill for the average residential customer, using 50,000 gallons per year and currently paying \$84.27 per quarter, by \$17.63 in the 3rd quarter of 2027, and by an additional \$6.68 in the 2nd quarter of 2028, to a total of \$108.78 per quarter. Rates for the average residential customer will continue to be below the average of \$122.14 per quarter for peer utilities following the estimated increases.

The estimated rates will increase utility revenues by approximately \$4.3 million beginning in 3rd quarter 2027, and by another \$2.2 million beginning in 2nd quarter 2028. This is expected to provide the Utility with approximately \$6.8 million per year to fund routine replacement and renewal of infrastructure and additional debt service for 2027 and future borrowings.



Recommended Action:

Authorize staff to apply to the Public Service Commission of Wisconsin (PSC) to increase water rates. The actual increase will be determined by PSC following a detailed review of information submitted with the application and additional information requested through data requests.