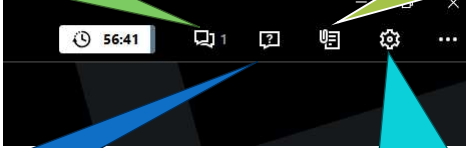


We will begin our presentation shortly...
In the meantime, orient yourself to the features of the GoTo Webinar platform.




BULLETIN BOARD
Check here for posts from the organizers. Please do not use for questions.

MATERIALS
Slides for today's presentation are available through this tab. They will also be posted to the PSC website.

Q&A
Use this box to enter questions for the presenters.

SETTINGS
Adjust your audio and video settings here. Check to ensure correct speakers are enabled.

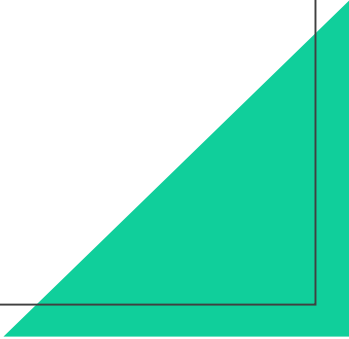


6/2/2026

1

Financial Assistance Program Implementation

Webinar – 6/3/2026
Angela James, Water Policy Advisor
Wisconsin Public Service Commission



2

A note about these slides & this presentation

- Issues discussed in these slides are current as of the date of the presentation (6.3.2026).
- However, please take note that this area is evolving as more utilities seek options for private-side LSL replacements and the Commission hears more cases regarding utility-incurred lead removal costs.
- Each Commission decision is unique, and fact-specific. Although we will be focusing on one recent rate case, it is not precedential and future Commission decisions may differ from the information presented in this slide deck.
- Please always check with the Commission on specific questions related to cost allocation for private-side lead service lateral costs incurred by a water public utility.

6/2/2026

3

3

What we're going to talk about...

- A basic overview of Financial Assistance Programs (FAPs)
- FAP cost recovery in a recent rate case: 5400-WR-113
- Implication of this rate case to private-side LSL cost recovery in non-FAP communities utilizing utility resources to implement private-side LSL removal

6/2/2026

4

4

6/2/2026 5

FINANCIAL ASSISTANCE PROGRAMS

Brief Overview – More Information on the PSC Website

5

Commission's Position: No Ratepayer \$\$ can pay for private LSL replacement

- Commission made this determination in a City of Madison rate case, and the court of appeals upheld this position in 1998.
- Legislature passed a new law in 2018 that created LSL Financial Assistance Programs (FAPs).
- FAPs are currently the avenue through which a utility can use ratepayer resources to fund private-side LSL costs.
- FAPs are limited in scope and adoption.

6/2/2026 6

6

What are utility financial assistance programs (FAPs)?



Wis. Stat. § 196.372

- FAPs are utility programs offering financial assistance to “the owner of a property to which water utility service is provided” to “[assist] the owner in replacing customer-side water service lines containing lead”.

6/2/2026

7

7

In other words:

FAPs authorize a utility to become a grantor/lender and use ratepayer funds to create the financial assistance tools that help property owners pay for the replacement of their privately-owned LSLs.



6/2/2026

8

8

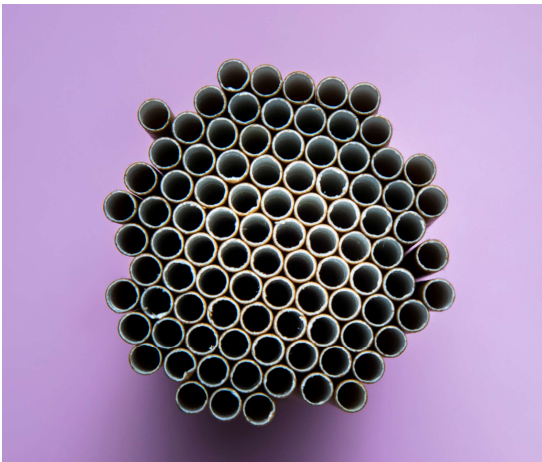
A note on terminology:

- To avoid confusion, we distinguish between a customer who owns a lead-containing LSL and a water utility customer. It's helpful to use this language when discussing costs and financial responsibility.
- Property Owner or Private Property Owner – the owner of a customer-side LSL. While they are also customers of the water utility, we always refer to them as property owners when discussing cost allocation.
- Customers refer generally to water utility customers who should not fund private-side replacement.



9

Another note on terminology...



- A private-side lead-replacement program refers to the construction, outreach and funding programs established by a community to remove lead-containing infrastructure.
- A financial assistance program (FAP) refers to a Commission-approved program to allow a utility to provide grants and loans to private property owners who must pay for their LSL replacement.
- The Commission only oversees FAPs – not lead replacement programs.

6/2/2026

10

10

Key Legal Limits on FAP Design

FAPs are limited to the provision of “financial assistance to the owner of a property” for the purpose of “assisting the owner in replacing customer-side water service lines containing lead”. No other uses are allowed.

Financial assistance can be in the form of loans only, or grants + loans. Grants are limited to no more than one-half of the total cost to the owner of replacing their PLSL

Revenue collected from charges applied to a class of customers to fund financial assistance may not exceed an amount equal to the financial assistance received by the class.

6/2/2026

11

11

What's the FAP approval process?

Utility Designs the FAP & Submits Application

Commission Reviews Application (LS Docket)

Utility Implements Program (if approved)

Utility Applies for Rate Increase (WR Docket)
(if necessary)

12

12

Who has a
FAP?

Community	FAP Design Note
Kenosha	Grants + Loans
Manitowoc	Loans only
Menasha	Grants + Loans + Municipal Grants
Fond Du Lac	Grants + Loans
Sun Prairie	Grants + Loans
Kaukauno	Loans only
Green Bay	Grants + Loans
Sheboygan	Grants + Loans
Shorewood	Grants + Loans
Edgerton	Grants
Watertown	Grants + Loans
Racine	Grants
New Richmond	Loans only

6/2/2026 13

13

6/2/2026
14

RATE RECOVERY FOR FAPS

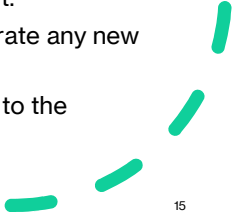
Shorewood: 5440-WR-113

14

Important Takeaway:

Rate cases to collect \$\$ for financial assistance to private property owners will focus only on costs to fund GRANTS. Therefore new revenue collected from ratepayers will never be more than 50% the estimated cost of the LSL replacement.

- Utilities do not receive any increase in rates unless & until they come to the Commission for a rate adjustment.
 - Shorewood was the first to do this in docket 5440-WR-113.
- To adjust rates, the commission determined how much financial assistance will be required to support the financial assistance (grants/loans) in the approved FAP.
- FAP Design impacts the revenue requirement:
 - The Commission determined loans will ultimately be repaid and do not impact the revenue requirement.
 - Therefore, loans under a FAP do not generate any new revenue for the utility.
 - Grants can be no more than 50% the cost to the customer.



6/2/2026
15

15

Basic Steps in the Rate Case

Final Decision available at ERF# 583106

Understand the type of financial assistance Shorewood offers through its FAP.

Grant – up to 50% of the cost	Loan – for the remainder	No interest on loan (seeking to amend – 5440-LS-101)
-------------------------------	--------------------------	--

Based on FAP design and projected LSL-removal activities, determine the cost to fund the financial assistance (FAP Cost).

Allocate the FAP Cost to a class-based LSL customer charge (FAP charge)

Confirm accounting treatment.

6/2/2026
16

16

This process translates into the following key concepts:

- **Cost to Owner to Replace PLSL:** This is the total cost to a property owner to replace their LSL, and includes both the direct and indirect costs attributable to the private-side work.
- **FAP Cost:** The amount of **ratepayer revenue** to fund the financial assistance expected to be made to private property owners by the utility.
- **FAP Charge:** The charge levied against each utility customer in a class to generate the revenue – by class – to provide the financial assistance to eligible members of that class.
- **Administrative Cost:** The cost to the utility to administer the financial assistance (i.e., grants/loans) to ratepayers. This is treated as a utility cost and does not require class-based treatment.

6/2/2026

17

17

6/2/2026
18

HOW MUCH FINANCIAL ASSISTANCE WILL BE NEEDED?

Determining the FAP Cost by estimating costs to the property owner.

18

Typical Costs In Lead Replacement Projects

DIRECT CONSTRUCTION COSTS

- Relates to construction work to replace the lead-containing infrastructure, including:
 - Material costs
 - Contractors

INDIRECT CONSTRUCTION COSTS

- Relates to the costs incurred to facilitate the construction work, including:
 - Closing costs on SDWLP
 - Engineering
 - Legal Fees
 - Construction management & oversight
 - Street reconstruction
 - Administration of the private-side lead replacement program (outreach, project management, etc.)

6/2/2026

19

19

Public v. Private Costs

PUBLIC SIDE

Cost to Ratepayers =

- + Indirect Construction Costs
- + Direct Construction Costs
- Non-Utility Funding (e.g. Grants, PF)

PRIVATE SIDE

Cost to the Private Property Owners =

- + Indirect Construction Costs
- + Direct Construction Costs
- Non-Utility Funding (e.g. Grants, PF)

- In Shorewood, the public/private split was estimated based the # of public v. private laterals removed in upcoming projects since they all focused on lateral replacements.

6/2/2026

20

20

Types of Questions We'll Ask:

"But for" the private-side component of the project, how much would ratepayers have paid for the work done by the utility?

If the utility had to bill private property owners like a private contractor, how much would you need to be billed to be "made whole" for the work you did?



6/2/2026

21

21

Cost to the Owner

This is the total cost to a property owner to replace their PLSL.

Includes both the direct and indirect costs attributable to the private-side work.

The "cost the owner" is important because no more than the financial assistance provided by the utility in the form of a grant can be no more than 50% the cost to the owner.



Principal Forgiveness reduces the Cost to the Owner.
This means PF is applied BEFORE determining the amount of financial assistance that a property owner will be eligible to receive.

6/2/2026

22

22

Note On Rounding

- The Commission's analysis was done at the **property owner level** to confirm the "cost to the owner". In the future this can likely be done at the **project level**.
 - For simplification, this discussion is at the project level. Some of the numbers will differ from the analysis in the case because of rounding.
- Please see the following document for detailed discussion and calculations in the case:
 - Response Data Request Elmer 4 – Village Correction to Analysis (final #s)
 - ERF # 564031
 - Cover Letter and Commission Memorandum (*revised*) (discussion of analysis)
 - ERF # 574780
 - Final Decision – 5440-WR-113
 - ERF # 583106

6/2/2026

23

23

Shorewood Project Example – SW Area Project

Replacement Costs

- Direct Construction: \$2,283,241
- Indirect Construction (ECM): \$217,786
- Total Cost for Replacement: \$2,501,027

Public Private Split

- Total PLSLs = 232
- Total ULSLs = 283
- 45% Private (\$1,125,462) / 55% Public (\$1,375,565)

Cost to Owner = \$1,125,462 / 232

- \$4,835.38 / Owner
- - \$3750.00 / Owner PF
- \$1,101.13 = Total Cost to Owner

6/2/2026

24

24

Shorewood Owner Cost Summary Table

Project	Cost Per Owner	Total Private Side Replacement Cost	Note
2025 Project	\$4,183.24	\$556,370.29	100% PLSL (133)
Lake Drive	\$12,060	\$603,000	100% PLSL (50)
SW Area Project	\$1,101.13	\$1,125,462	45% PLSL (232)

Number of Private
Laterals in Each
Project

6/2/2026

25

25

FAP Cost

- **FAP Cost:** The amount of ratepayer revenue to fund the financial assistance expected to be made to private property owners by the utility.
 - Once the cost to the property owners is determined, the total **FAP Cost**
 - Apply any applicable Principle Forgiveness (PF) BEFORE to reduce the Cost to the Owner.
 - Aggregate the individual costs to owners (with PF applied) for every project in the projection.
 - (Calculation assumed every owner would access the financial assistance.)

6/2/2026

26

26

FAP Cost (cont'd)

- FAP Design matters!
 - Since financial assistance provided through GRANTS is the only form of financial assistance that affects rates, utilities that have chosen to provide only loans to property owners through the FAP will have no FAP Cost for ratemaking purposes.
 - Those that have capped their grants per property may have a FAP cost that is simply a multiple of that grant cost times the number of lines removed (*no case yet*).
 - For utilities – like Shorewood – that have capped their grants at 50% the total cost to the property owner, the FAP cost will be ½ of the total LSL replacement project construction cost (both direct + indirect costs) after PF is applied.

6/2/2026

27

27

Shorewood Owner Cost Summary Table

Project	PLSL Project Cost	Reduced by Principle Forgiveness	Loan Eligibility	Grant Eligibility
2025 Project	\$556,370	N/A	\$278,185	\$278,185
Lake Drive	\$603,000	N/A	\$301,500	\$301,500
SW Area Project	\$1,125,462	-\$870,000	\$127,732	\$127,732
			Total FAP Cost (revenue to be collected):	\$707,417
			Avg/year (2 year window)	\$353,709

6/2/2026

28

28

6/2/2026 29

+ • HOW DOES THE UTILITY COLLECT REVENUE FOR FINANCIAL ASSISTANCE?

+
• ○

Determining the FAP Charge & Allocating to Customer Class

29

Determining the FAP Charge: Customer Class

When the legislature created the FAP program, it also ensured that one class did not subsidize another class. PSC & Utilities are required to "true-up" the amount of revenue collected to the financial assistance given out to each class. § 196.20(8), Stats.

Again, this only applies to GRANTS, since loans are paid back and not part of the revenue collected from customers.

6/2/2026 30

30

Determining the FAP Charge

FAP Charge: The charge levied against each utility customer in a class to generate the revenue – by class – necessary to provide the financial assistance to eligible members of that class.

To determine the FAP Charge, the FAP Cost for each class was divided by the # of water utility customers in each class. Therefore, each customer in a class pays the same amount of money to fund the FAP Cost, regardless of their LSL status.

In Shorewood, costs were collected over the two-year period in which the projected LSL Replacement Projects were occurring. Therefore the total FAP cost was averaged over the two year period.

Allocation by Class

Table 1 - Project Specific Private Lead Service Customer Breakdown

Project	Total Lead Private Services	Customer Class		
		Residential	Multi-Family	Commercial
2025 PSLSL	133	133	-	-
2026 Lake Drive PSLSL	50	50	-	-
2026 SW Area LSLs	232	229	2	1
Totals	415	412	2	1
	100.0%	99.3%	0.5%	0.2%

Table 2 - Utility Private Lead Service Customer Breakdown

	Total Lead Private Services	Customer Class		
		Residential	Multi-Family	Commercial
Shorewood Village	2,223	2,122	70	31
	100.0%	95.5%	3.1%	1.4%

Billing

- For the two-years of the program:
 - 415 FAP grants at an average of \$353,709/year
- Classes Affected:
 - 3 Classes: Residential (99.3%), Multi-Family (0.5%), Commercial (0.2%)
- New Tariff for Fap Charge – MG-1LS
 - Residential: \$27.20 quarterly /\$217.60 over two years
 - Multifamily: \$2.61 quarterly /\$20.88 over two years
 - Commercial: \$2.03 quarterly /\$16.24 over two years

6/2/2026

33

33

Takeaway:

The FAP Charge is transparent and replicable across project years. It can potentially be updated outside of full rate cases to reflect changing construction costs, timelines and funding scenarios.

- The FAP Charge is a separate charge made to customers in the class receiving financial assistance.
- It is directly allocated to all customers in a class and does not take into consideration water usage or demand like other rate analyses.
- The more expensive the project, the higher the cost-to-the customer, and the utility can provide no more than 50% of that in the form of a grant.

6/2/2026

34

34

6/2/2026 35

• HOW DOES THE UTILITY COLLECT REVENUE FOR ADMINISTRATIVE COSTS?

Allocating Admin costs to general services.

35

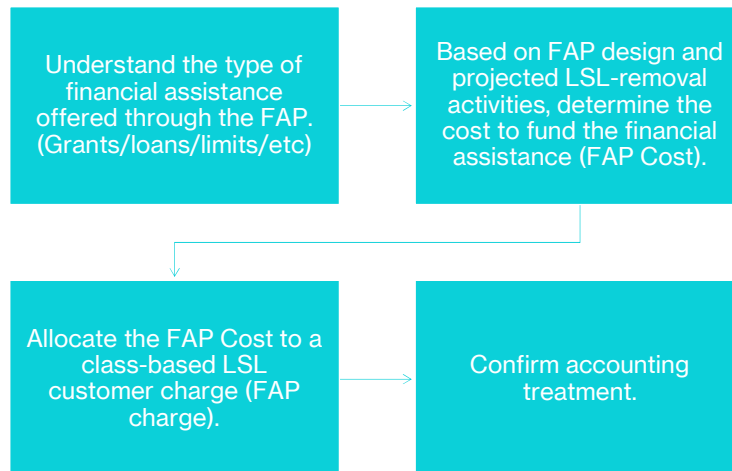
FAP Administrative Costs

- **Administrative Cost:** The cost to the utility to administer the financial assistance (i.e., grants/loans) to ratepayers. Shorewood projected \$30,000 in annual cost, supported with salary information.
- This is not to be confused with the "administrative costs" associated with PLSL replacement programs. For purposes of FAP implementation and how those costs are allocated at the PSC, those are indirect construction costs associated with construction and can't be born by ratepayers.
- The Commission has found that FAP Administrative Costs are included in general services – the labor and other overhead costs that the utility incurs as part of doing business. The Commission determined that the costs to administer grants and loans were appropriately born by all customers in the water system and allocated to customers through standard ratemaking process (i.e., relying on cost of service).

6/2/2026 36

36

Basic Steps to Calculate the FAP Charge in a Rate Case



6/2/2026

37

37

Review: Key Concepts

- **Cost to Owner to Replace PLSL:** This is the total cost to a property owner to replace their LSL (direct + indirect costs incurred by the utility for private-side work).
 - This is reduced by any non-utility assistance (i.e., PF, but could also include grants offered by the municipality).
- **FAP Cost:** The total amount of ratepayer revenue to fund the financial assistance expected to be made to private property owners by the utility.
 - Total expected cost of eligible financial assistance over the timeframe chosen.
- **FAP Charge:** The charge levied against each utility customer in a class to generate the revenue – by class – to provide the financial assistance to eligible members of that class.
 - Charge per customer to generate the utility revenue to fund the FAP Cost.
- **Administrative Cost:** The cost to the utility to administer the financial assistance (i.e., grants/loans) to ratepayers. This is treated as a utility cost and does not require class-based treatment. Many utilities can absorb this cost without additional revenue.

6/2/2026

38

38

6/2/2026 39

GOING FORWARD

Implications to both FAP and non-FAP utilities

39

Takeaway:

We only have a few approved FAPs, and Shorewood informs their treatment going forward, but is just a starting point.

- Use of FAPs has been limited:
 - Several utilities have completed LSL replacement using SDWLP/PF, so haven't needed the FAPs.
 - How some of the utilities have used the tool remains unclear because only Shorewood has sought rate recovery.
- Future FAP approvals will be viewed with an eye toward implementation & legal requirements:
 - Focus on how utilities will predict financial assistance needs and adapt to construction cycles & cost changes;
 - Anticipate practical issues with billing and meeting legal requirements for the true-up;
 - Ensure proper rate treatment of FAP implementation costs.

6/2/2026 40

40

Takeaway:

In non-FAP rate cases, cost allocation between the public and private side will rely on the concepts in Shorewood, including:

total cost = (direct + indirect construction)

Public/private allocation = no subsidy by ratepayers

6/2/2026

- Shorewood provides insight into the Commission's approach to cost-allocation in *any* PLSL replacement project.
 - Ratepayers may not subsidize PLSL replacement
 - Cost allocation will rely on some of the concepts in Shorewood.
- Non-FAP utilities should keep careful records for any lead replacement project that involves private-side work:
 - Consider both direct & indirect costs born by the utility;
 - Allocate total costs fairly between public (utility) and private (property owners);
 - Non-utility funding should pay for private-side work (SDWLP, municipal repayment of money received from ratepayers in Alternative Revenue Pledge, etc.)

41

41

More to come...

- More work to come on this.
 - How to update the FAP charge outside of a conventional rate case;
 - More discussions about the public/private allocation process
 - More discussions about how to align this process with utility projections/planning
 - More discussions about the timelines for FAP charge collection & project planning
- Expecting implementation challenges:
 - Shorewood had the ability to impose a class-based charge. We understand that not many communities will have this same ability. What options are available to meet the legal requirements?
- SDWLP Considerations – can't use Water Revenue Pledge for private-side assistance:
 - "New" revenue limited to 50% of total cost only (assuming utility offers grants).
 - What opportunities are available to simplify process at the local level for allocation of repayment obligations?
- Getting to Zero: Some communities want to develop programs that require \$0 from private property owners.
 - FAP implementation requires the "financial assistance" to apply based on the "cost to the customer".
 - "Cost to the customer" is reduced by non-utility assistance (i.e., PF or municipal grants), and can't get to zero.

6/2/2026

42

42

Sign up for our Newsletter!

- Quarterly Newsletter
- Ask PSC!
- Description of recent cases
- Announcements for training opportunities

- Angela.James@wisconsin.gov

