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October 26, 2025

Public Service Commission of Wisconsin
Attn: Docket 5-UI-124 Comments
P.O. Box 7854
Madison, WI 53707-7854

Re: **League of Wisconsin Municipalities Comments on Docket 5-UI-124, the PSC's Investigation on the Commission's Own Motion Regarding Construction Cost Overruns**

Dear Commissioners and PSC Staff,

The League of Wisconsin Municipalities (League) appreciates the opportunity to submit comments on the Public Service Commission of Wisconsin's (PSC) Docket 5-UI-124, the investigation on the Commission's own motion regarding construction cost overruns.

The League is a nonpartisan, not-for-profit membership organization that advocates for the interests of our over 600 member cities and villages, large and small, urban and rural, throughout the state. While each of our members have characteristics about their community and municipal operations that make them unique, nearly every member shares the responsibility of the provision of safe and reliable drinking water to their residents, schools, and businesses. Our members do not take this responsibility lightly.

From infrastructure necessary to withdraw, treat, store, and distribute potable water in their community to the changing needs of infrastructure as state and federal regulations transform, providing water service is a capital-intensive process. Municipal water utility leaders are the experts in understanding the intricacies of their system and adapting based on the changing needs of residents, schools, and businesses and the changing requirements of overarching regulations outside of their control.

It's with this in mind that the League writes to express our concern with the PSC's intent to proceed with this investigation. A one-size-fits-all process for cost overruns in water utilities will not work. For the reasons below, we hope the Commission will agree that cost overruns in water utility projects have no clear, comprehensive, and uniform way to address unique circumstances in a static, inflexible framework.

First, municipal water utilities are at the mercy of state and federal regulations. When new regulations are promulgated, water utilities of all sizes throughout Wisconsin are often operating under the same timeline to complete projects and maintain regulatory compliance. Completing these projects, regardless of cost, is not an option, but rather a mandate. Water utilities are already responsive on cost concerns to local governing bodies and their constituents, but when a project needs to be completed, extra hurdles from the PSC due to cost overruns outside of the municipal water utility's control will only delay or possibly prevent the regulatory compliance that our local leaders seek to maintain.

Second, municipal water utilities are at the mercy of third-party contractors and private supply markets that set the cost of our infrastructure. Even our state's largest water utility, Milwaukee Water Works, has a staff

that's roughly half the size of Madison Gas & Electric, one of the state's smallest investor-owned utilities. This means more projects are outsourced to third parties. With notice, bidding, selection, and contracting requirements for municipal entities controlled by statute, oversight is already ensured, but the ability to negotiate is minimized. If a cost overrun occurs because of third party costs, under this investigation, municipal utilities could have punitive actions taken despite their inability to control these costs.

Third, municipal water utilities are at the mercy of the private market and broader economic trends. When a water utility project needs to commence or continue, it's typically due to regulatory reasons as described above, to serve the growing needs of an expanding community, or due to the threat of critical failures in their aging system that cannot be deferred. Municipal water utilities do not have the luxury of choosing to wait for inflation to subside or tariffs to be relaxed in any of these three instances. Further, municipal water utilities rarely have the luxury of economies of scale, something more prevalent with investor-owned utilities, to control the price of these goods and services.

Fourth and finally, municipal water utilities already receive the comprehensive project review the Commission appears to be attempting to employ. First, as municipal water utilities are the creation of a local unit of government, they're subject to the oversight and approval of that governing body or the designees of that governing body. Rates, projects, and service are all closely monitored as those governing body members are directly responsive to water utility customers, who are their constituents. Further, project plans need to be reviewed and approved by the Department of Natural Resources (DNR). PSC responses to cost overruns could risk upending the votes of local governing bodies and DNR plan approvals, placing these projects in limbo with contradicting orders.

Water utility professionals and their municipal counterparts have a responsibility to continue providing water service to all their customers. When possible, municipal utilities will avoid cost overruns. Too often, it's unavoidable, and state hurdles will not change that reality. While evaluating cost overruns on a case-by-case basis may create more work for Commission staff, simply put, that's their job.

Creating an inflexible, one-size-fits-all approach to cost overruns for municipal water utilities is likely to harm the ability of local officials to continue their important work of providing safe, clean, reliable, and affordable service to their communities and will further complicate Wisconsin's overly burdensome regulatory structure surrounding water utilities. We feel this investigation is outright misguided. However, if the Commission chooses to proceed with this investigation, the League sternly requests that all municipal utilities are removed from the scope of the investigation.

Along with the comments above from the League, we join Municipal Environmental Group-Water Division in their comments submitted on October 23, 2025 (PSC REF#: 565688).

Thank you for your time and attention to the League of Wisconsin Municipalities' comments on Docket 5-UI-124. If you have questions or require clarification, please do not hesitate to contact us at your convenience at therkert@lwm-info.org and emiller@lwm-info.org.

Sincerely,

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