



# AGENDA

## Public Utilities Commission Work Session

4:30 PM - Wednesday, May 13, 2026

City Hall Council Chambers

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1. PUBLIC MEETING NOTICE	
1.1. <a href="#">Public Notice PUC Work Session May 13, 2026</a>	2
2. TOPICS OF DISCUSSION	
2.1. Discuss water and wastewater rates	3 - 52
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**Public Notice**  
**New Ulm Public Utilities**  
**New Ulm, Minnesota**

An informational Work Session to discuss **water and wastewater rates** will be held in the City Hall Council Chambers, 100 North Broadway, New Ulm, at 4:30 p.m. Wednesday, May 13, 2026.

A quorum of the Public Utilities Commission may be in attendance. No official action will be conducted by the Public Utilities Commission at this work session. Official action may occur at a regularly scheduled Public Utilities Commission meeting.

# 2026 Water & Wastewater Rate Study

May 13, 2026

New Ulm Public Utilities Commission

Work Session

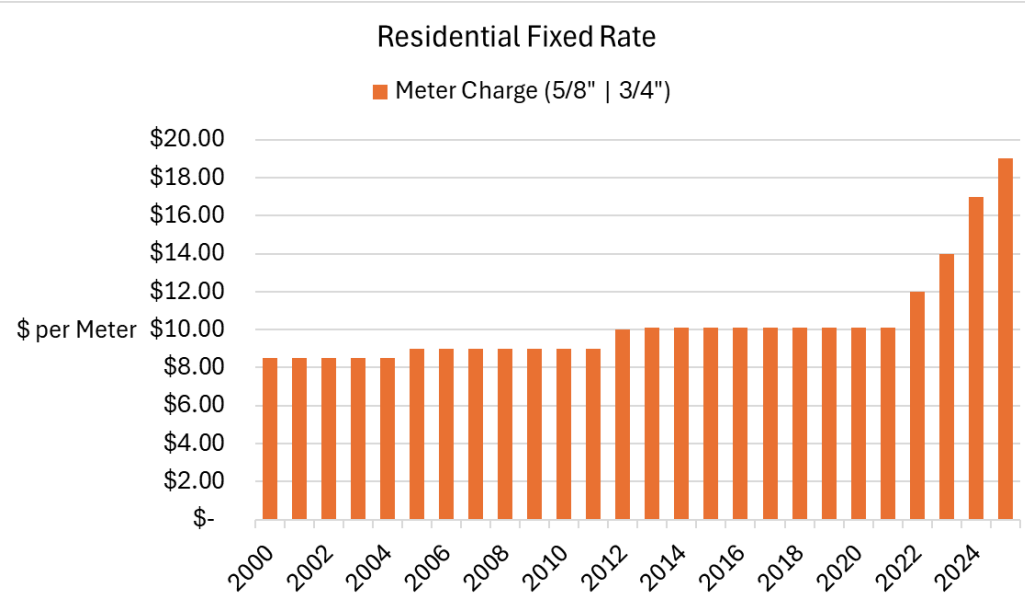
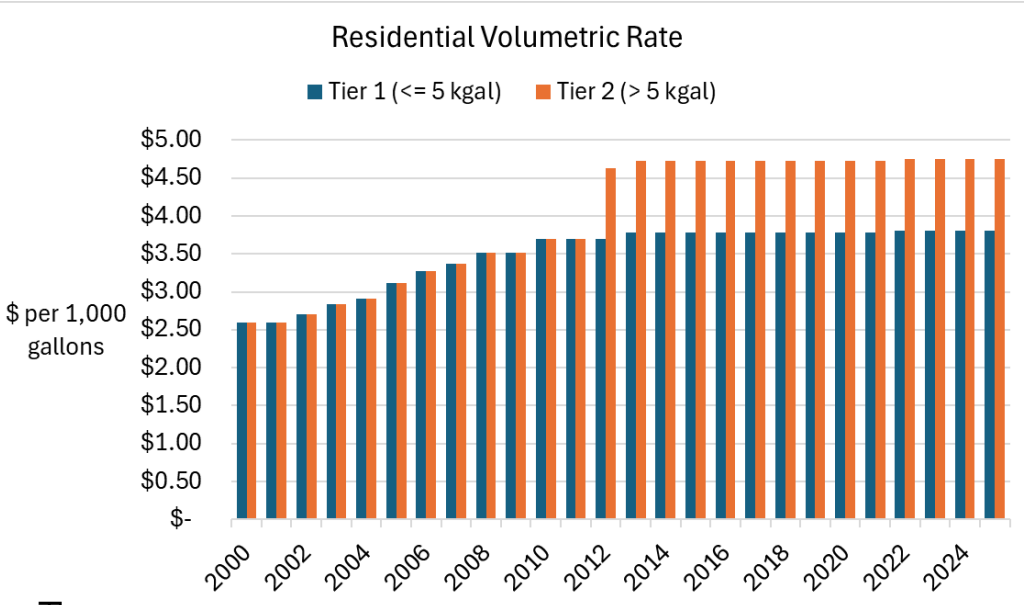
# Agenda

1. Rate History
2. Need for Funding & Risk of Inaction
3. What's Not Included
4. Rate Comparison
5. Rate Alternatives
6. Next Steps

# 1. Rate History

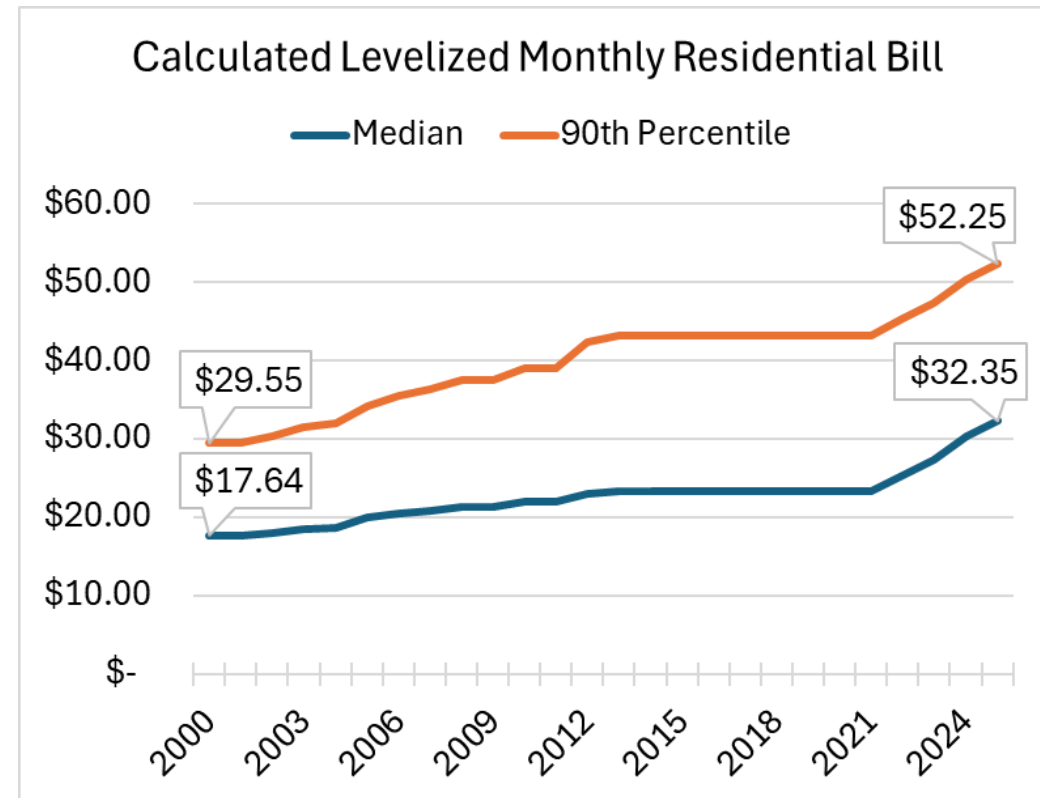
# Rate History - Water, Residential

- Steady volumetric increases until 2010; second tier added in 2012
- Annual fixed/meter charge increases begin in 2022
- Zero increases for 8 years (2013 – 2021)



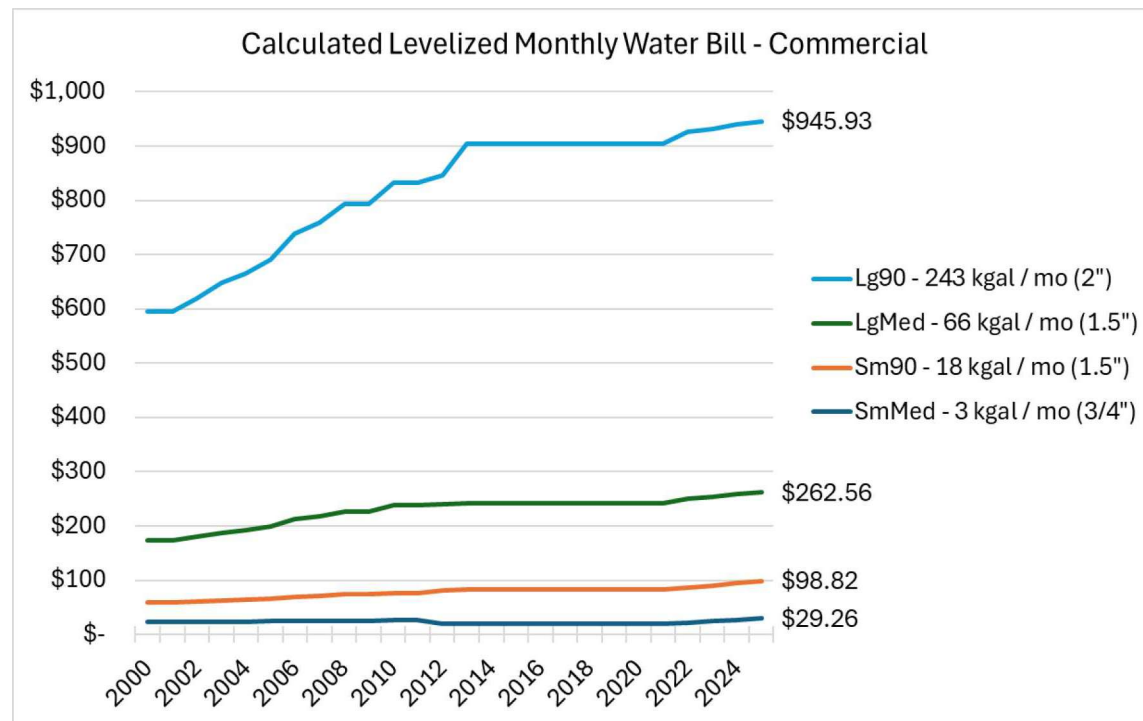
# Rate History - Water, Residential

- Median Water Bill =  
~3,500 gallons per month
- 90<sup>th</sup> Percentile Water Bill =  
~8,000 gallons per month
  - \*Chart excludes City Infrastructure Charge for Water
- Potable water cost for median user is less than one penny per gallon (~\$0.009)



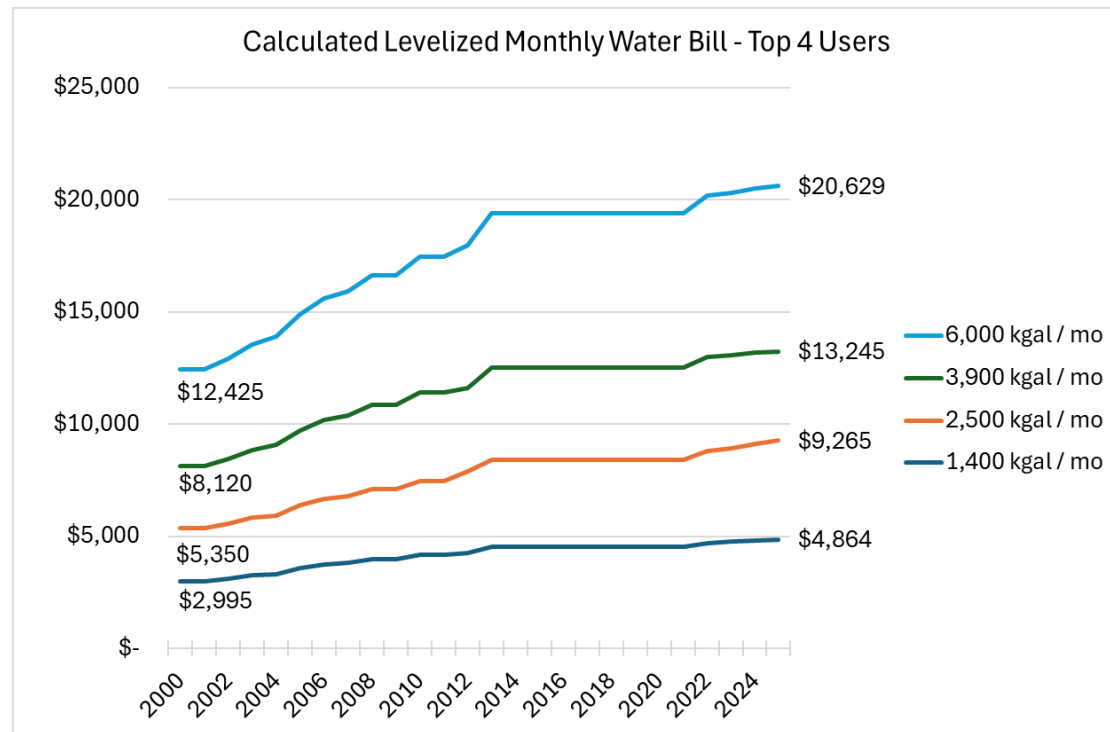
# Rate History - Water, Commercial

- Significant difference between median & 90<sup>th</sup> percentile user
- Eight (8) years without any rate increases
- Uniform customer charge changed to meter charges by size in 2012
- Median Small Commercial cost has declined adjusted for inflation



# Rate History - Water, Industrial

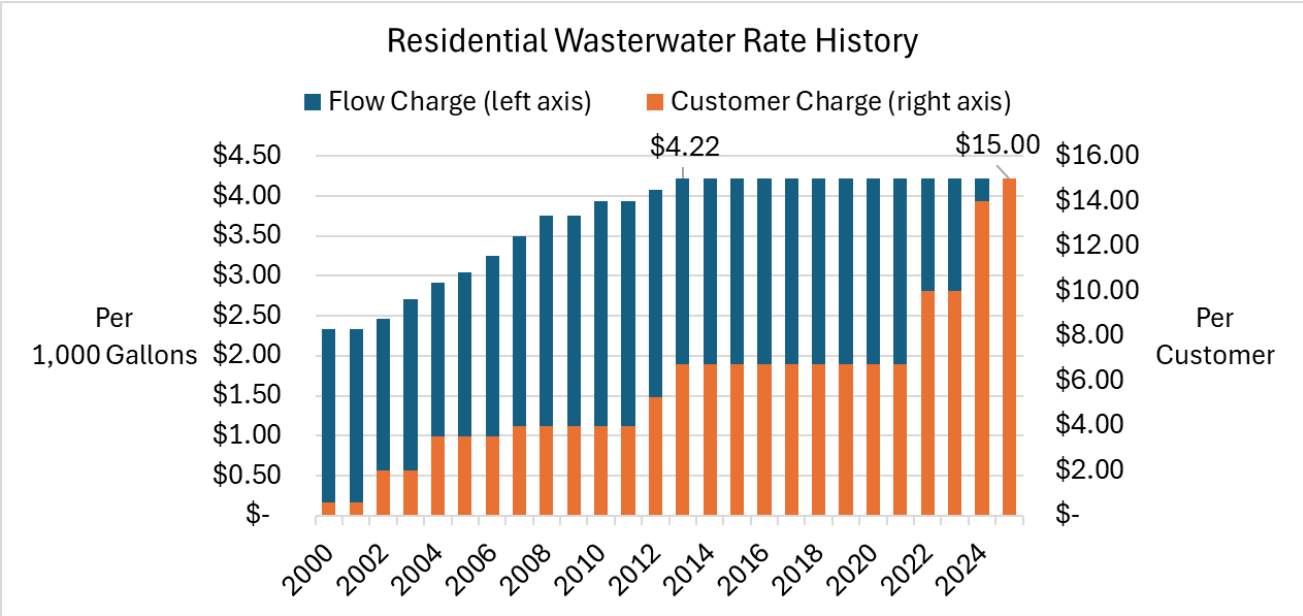
- CAGR of 2.0 - 2.2% since 2000 for Top 4 water users; less than consumer inflation
- Zero increases for eight (8) years (2013-2021)
- Estimated current potable water cost of **\$0.0034 - 37 per gallon**



CAGR = Compound Annual Growth Rate

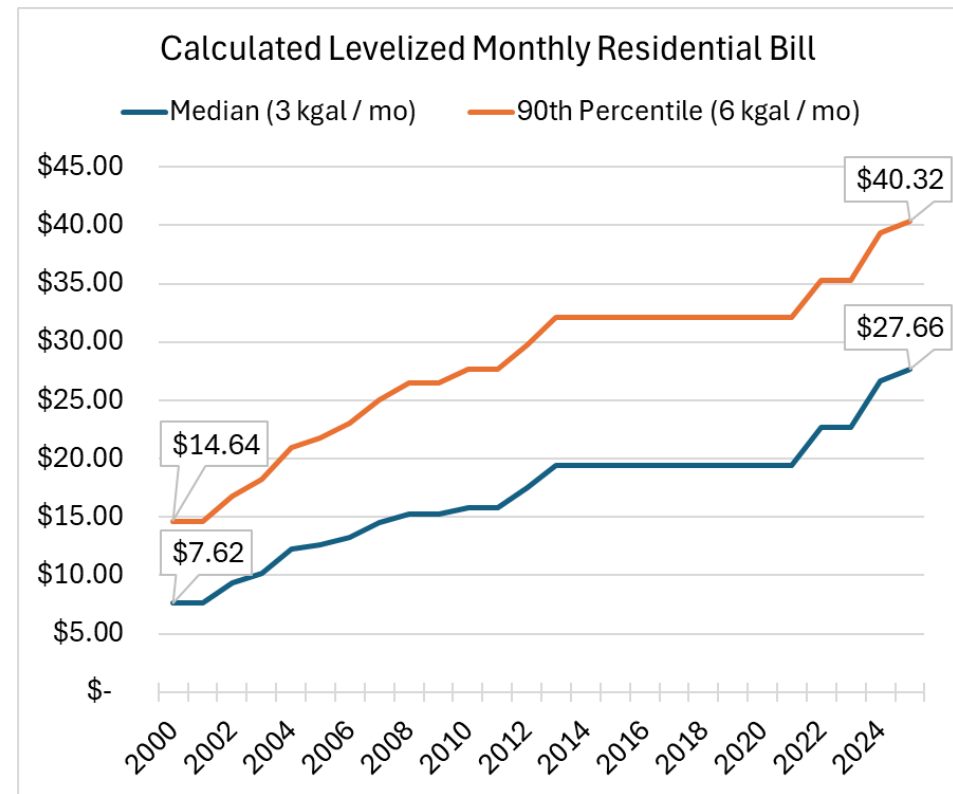
# Rate History - Wastewater, Residential

- Steady volumetric increases until 2013; none since
- Customer charge increases begin in 2022
- Zero increases for 8 years (2013 – 2021)



# Rate History - Wastewater, Residential

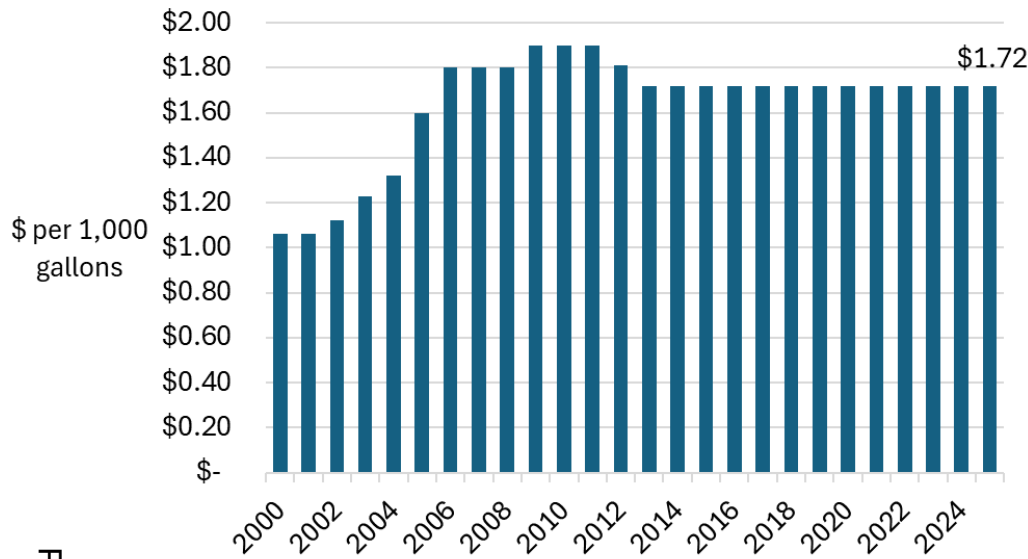
- Median Wastewater Bill = ~3,000 gallons per month
- 90<sup>th</sup> Percentile Wastewater Bill = ~6,000 gallons per month
  - \*Chart excludes City Infrastructure Charge for Wastewater
- Wastewater cost for median user is less than one penny per gallon (~\$0.009)



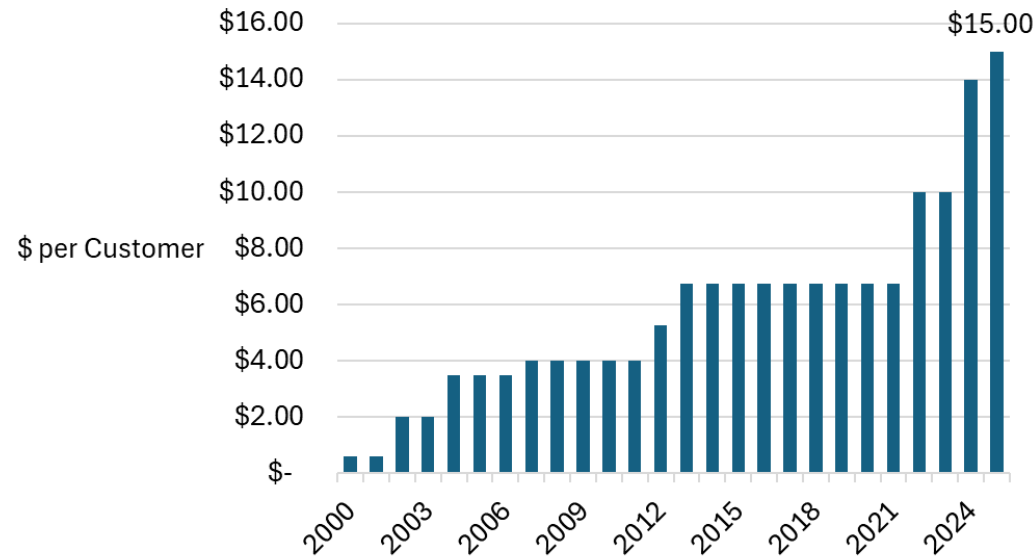
# Rate History - Wastewater, Industrial

- Volumetric Flow Charge flat since 2013
- Fixed Customer Charge increased to match other wastewater rate classes

Industrial Wastewater Flow Charge



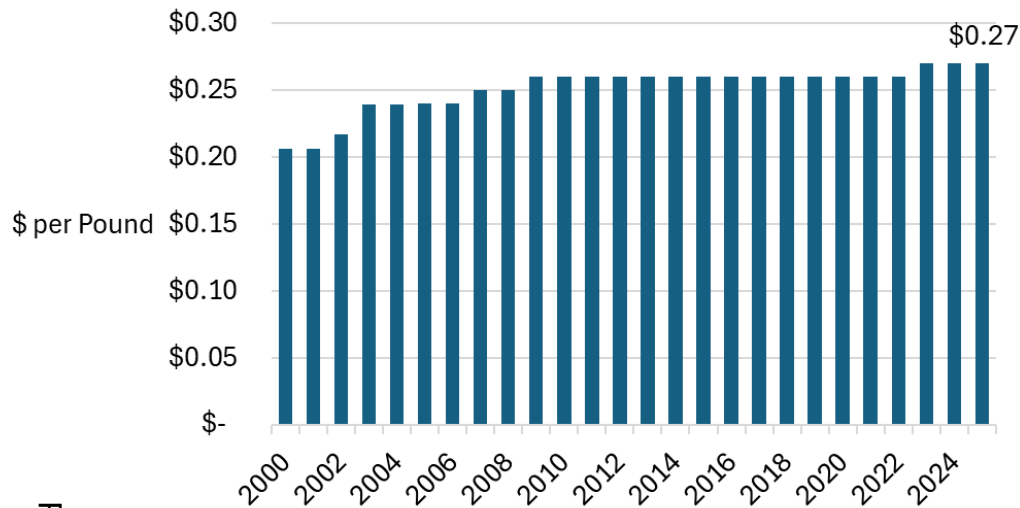
Industrial Wastewater Customer Charge



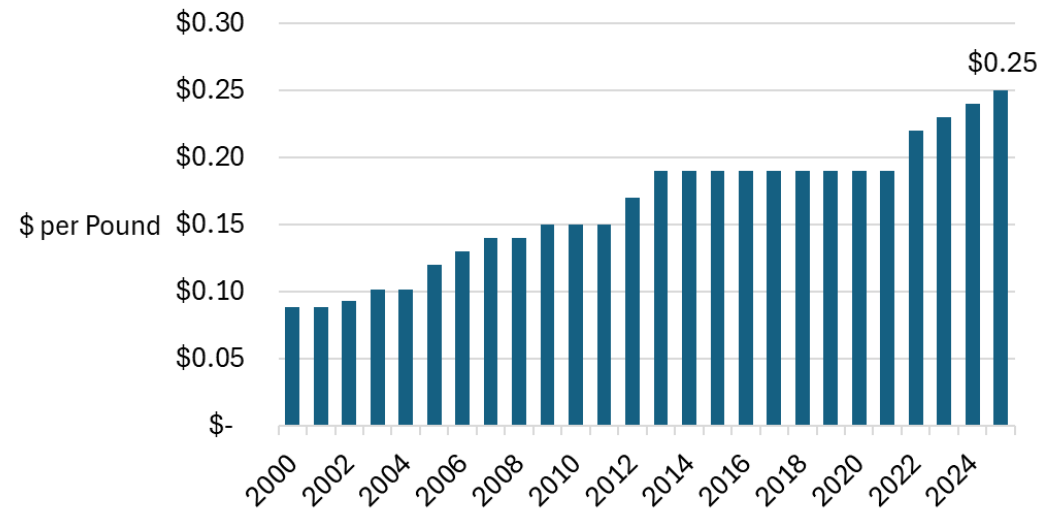
# Rate History - Wastewater, Industrial

- BOD Charge mostly flat since 2009
- TSS Charge annual increases beginning 2022; flat from 2013

Industrial Wastewater Biological Oxygen Demand (BOD) Charge

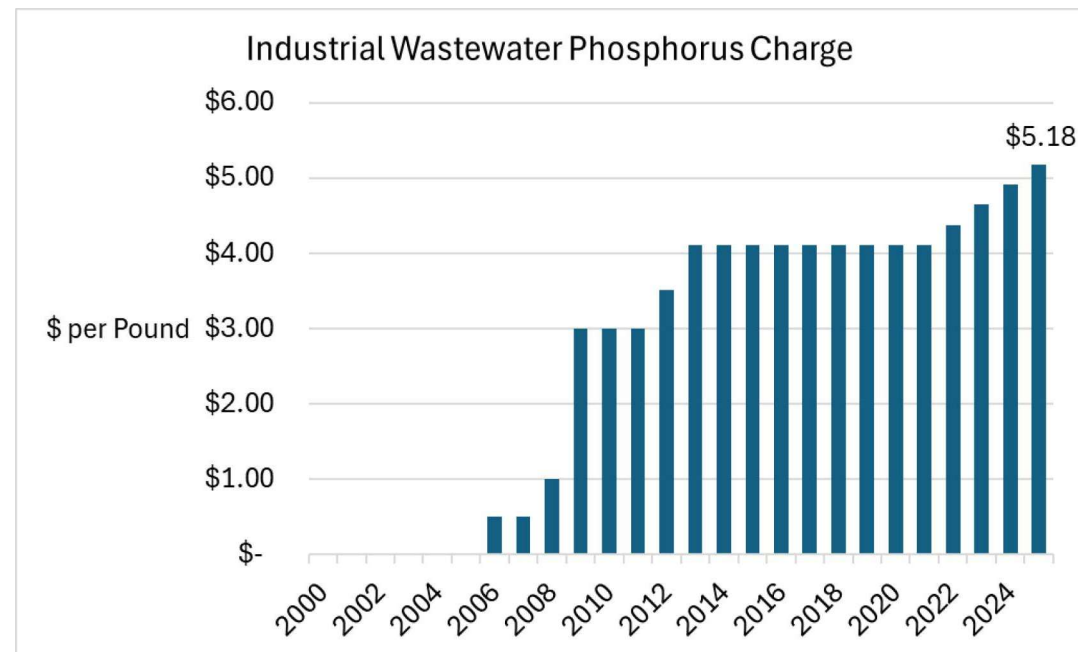


Industrial Wastewater Total Suspended Solids (TSS) Charge



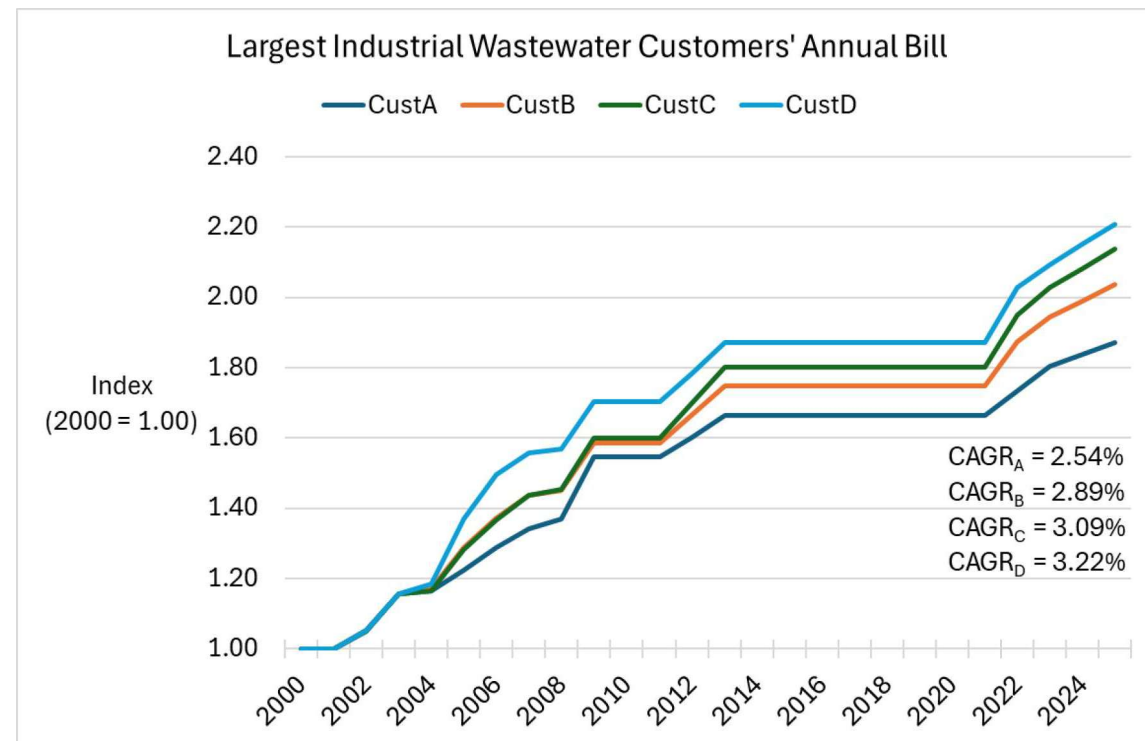
# Rate History - Wastewater, Industrial

- Phosphorus Charge added in 2006
- Responding to significant regulatory changes in 2008 that required large capital investment



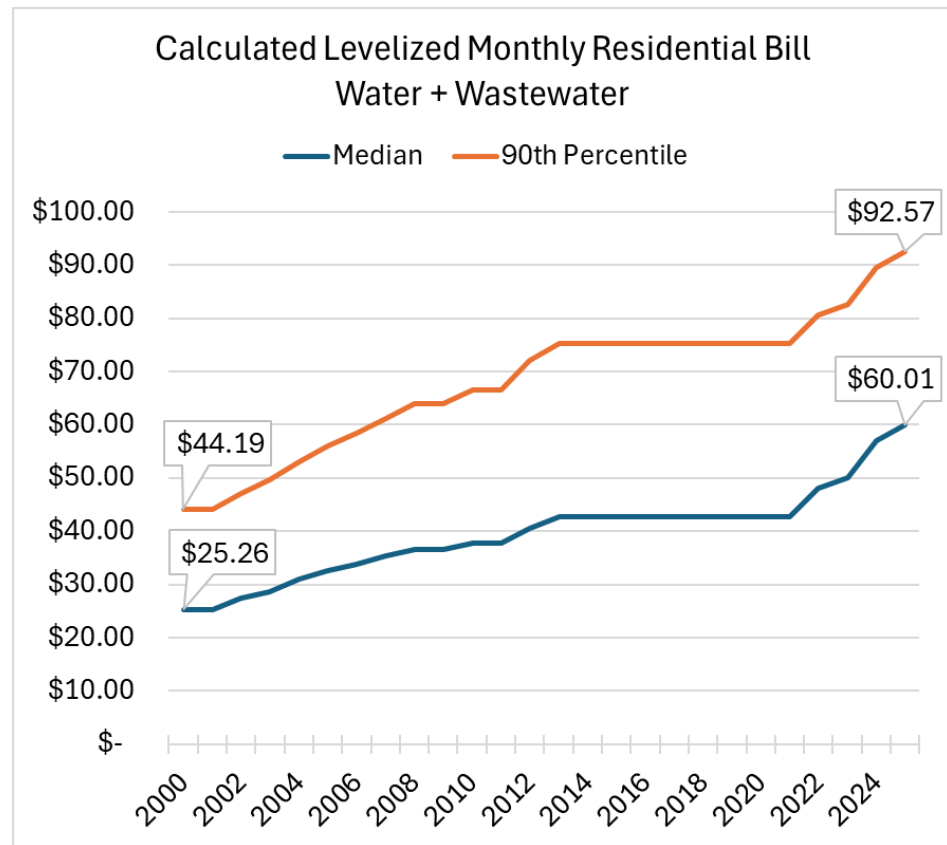
# Rate History - Wastewater, Industrial

- Four largest industrial wastewater customers
  - \*Chart assumes same flow, BOD, TSS, & Phos as most recent 12-months
- Rate components impact customers differently
- TSS & Phosphorus Charge are largest increase drivers
- Industrial customers drive utility treatment costs



# Rate History - Combined, Residential

- Half of residential users pay less than ~\$2 per day for water & wastewater service
- 90% of residential users pay less than ~\$3 per day
- Since 2000, water increases have contributed to 42% of median combined increase, wastewater contributed 58%



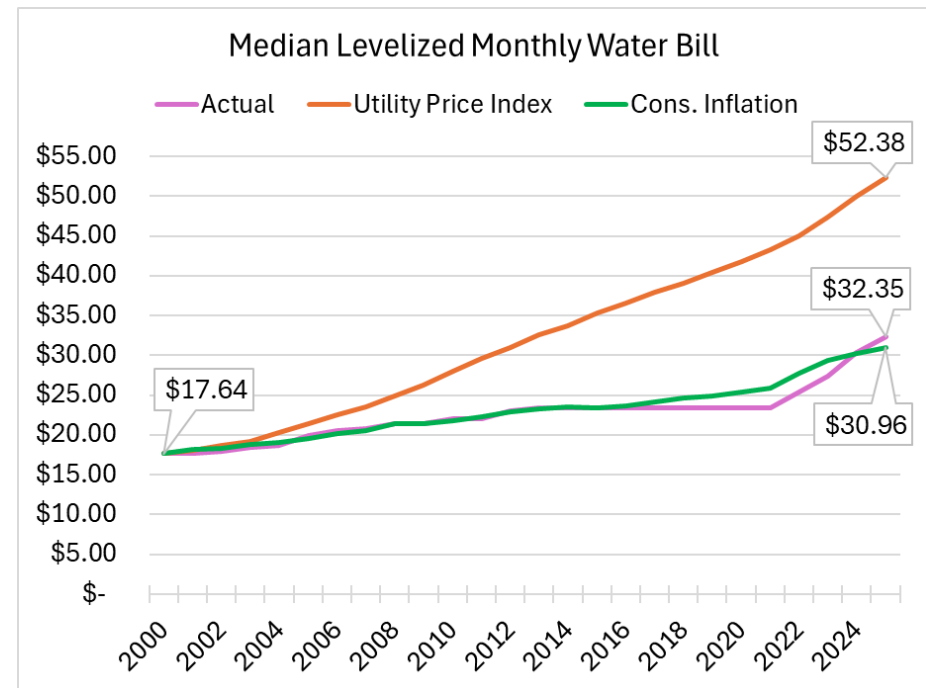
## 2. Need for Funding & Risk of Inaction

# Need for Funding

- Input Cost Inflation
  - Treatment chemicals, materials, & contracting costs
- Deferred Maintenance & Replacement
  - Insufficient historical investment
  - Risk of supply interruptions is growing as redundancy has gradually eroded
- Regulatory Compliance
  - Phosphorus Rule, Lead & Copper Rule
- Aging Infrastructure
  - WTP (1994) is 32 years old; WWTP (Oct 1975) is 51 years old
  - Significant portion of infrastructure is beyond expected or repairable life

# Historical Approach to Rate Setting

- Water & Wastewater rates have largely tracked consumer inflation
- Utility costs have outpaced consumer inflation in 24 of last 26 years
  - Feb 2000 – Feb 2026
    - Consumer Inflation = 2.3% per year
    - Utility Rate Inflation = 4.4% per year

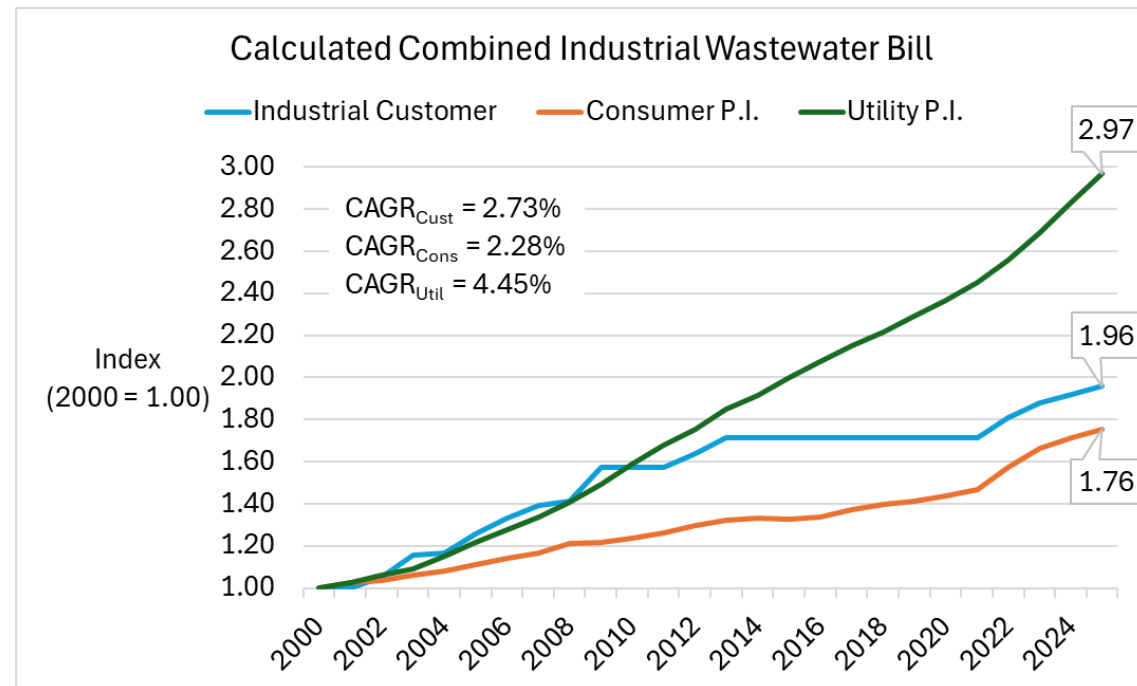


Utility Price Index = “[CPI] for All Urban Consumers: Water and Sewer and Trash Collections Services in U.S. City Average” (CUSR0000SEHG)

Consumer Inflation = “Chained [CPI] for all Urban Consumers: All Items in U.S. City Average” (SUUR0000SA0)

# Historical Approach to Rate Setting

- On average, consumer costs are ~76% higher than they were in 2000
- On average, utility costs are ~197% higher than they were in 2000
- Ability to maintain and replace systems has eroded slowly over time, accelerating around 2013 with rate pause

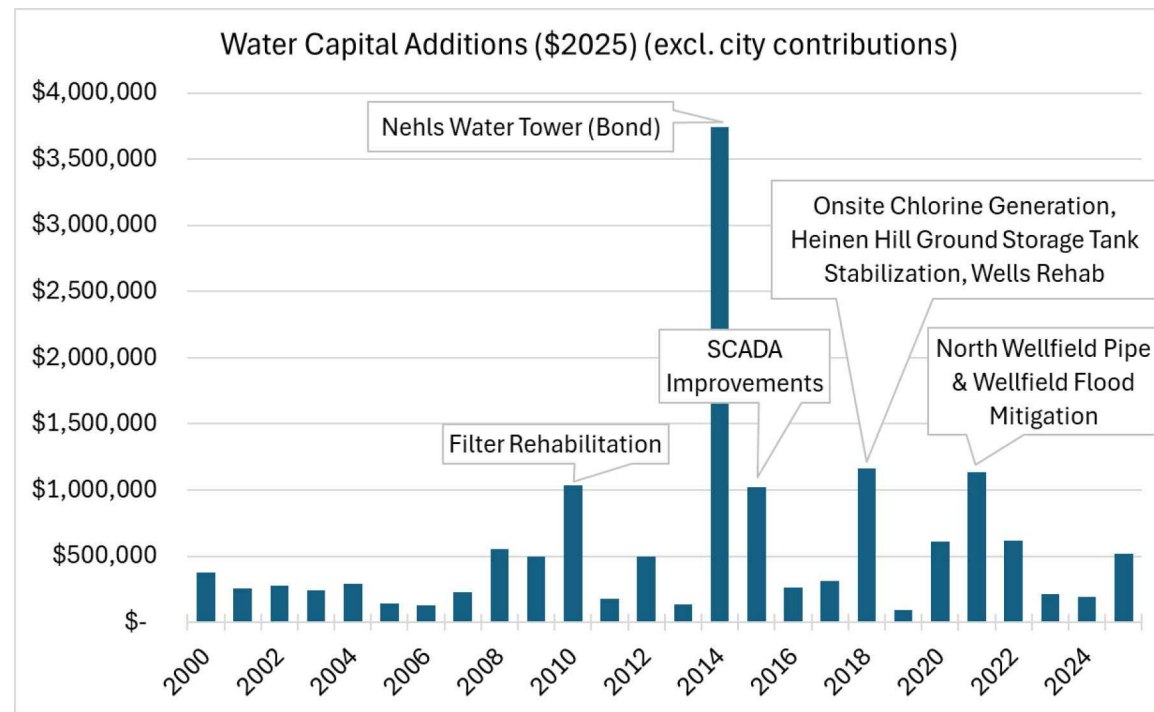


# Historical Capital Investment - Water

- Average annual investment since 2000 = \$566,000
- Rate study annual estimate for 2026-2030 = \$2,140,000

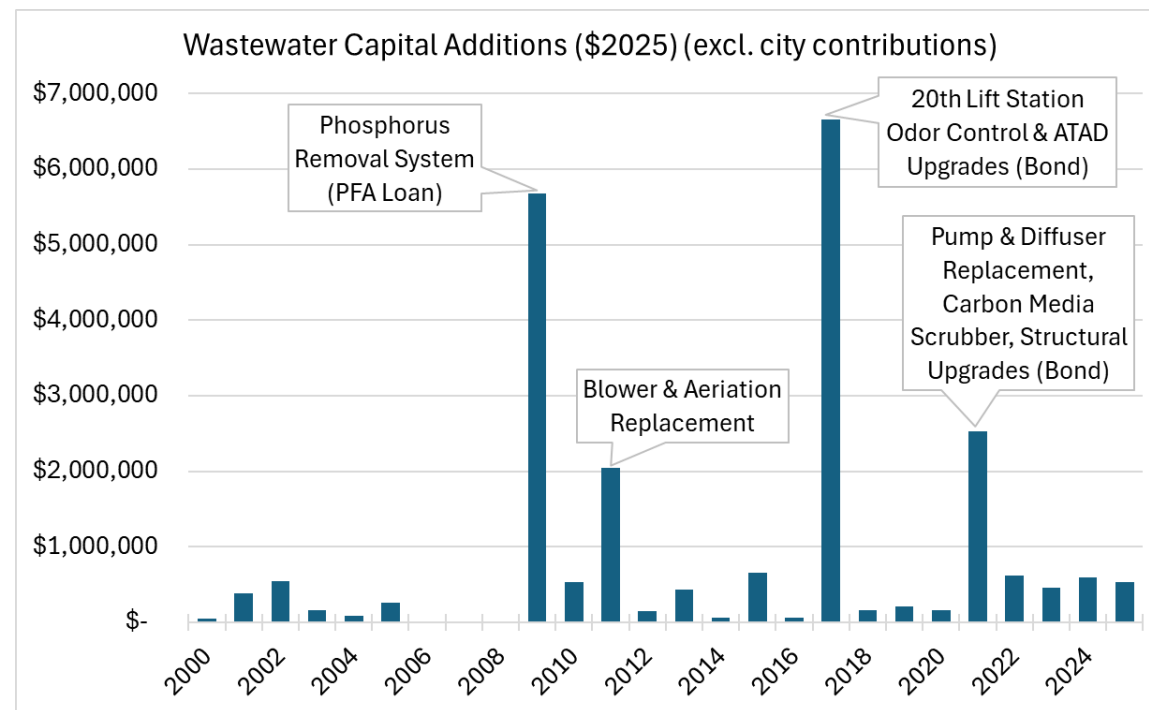
- Sufficient Capital Investment =

$$\frac{\text{Asset Replacement Cost}}{\text{Asset Life}}$$



# Historical Capital Investment - Wastewater

- Average annual investment since 2000 = \$885,000
- Rate study annual estimate for 2026-2030 = \$3,551,000
- Investing less than replacement rate results in asset value extraction
- Value extracted passed to customers via lower rates
- Next generation inherits less asset value



# Need for Funding

- Requesting to **restore** one (1) water operator + one (1) clerical assistant
  - Lead service line and water meter replacement

Position Title	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Water/Steam Department Supervisor	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Assistant Water/Steam Dept Supervisor	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Clerical Assistant I	1.5	1	1	1	1	1	1	1	1	0.5	0.5	0.5	0.5	0.5	0.5	1
Operational Chief/Plant Operator B Lic	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0
Operational Chief/Construction	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Lead Heavy Equipment Operator/Welder C Lic	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Water/Steam Operator D/C/B Lic	4	4	4	4	4	4	4	4	3	3	3	3	3	3	3	5
Permanent Staff	10.5	10	10	10	10	10	10	10	9	8.5	8.5	8.5	8.5	8.5	8.5	10

Position Title	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
WWTP Supervisor	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Assistant WWTP Supervisor (Engineer's Lic)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Chief of Maintenance (Engineer's Lic)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
WWTP Plant Operator C/B Lic	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
Laboratory Technician	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Clerical Assistant II	1	1	1	1	1	1	1	1	1	0.5	0.5	0.5	0.5	0.5	0.5	1
Permanent Staff	10	10	10	10	10	10	10	10	10	9.5	9.5	9.5	9.5	9.5	9.5	10

# Capital Plan - Water

- Rehabilitate well field
  - Rejuvenate or reconstruct all 13 wells
  - Includes wells, well houses, electrical, metering, piping, SCADA
- Rehabilitate water treatment plant
  - Replace valves and meters; replace filter media
  - Recoat pipes and flooring
  - Improve HVAC, plumbing, electrical, finishes, etc.
- Rehabilitate reservoirs and pump stations
  - Recoat reservoir interiors; upgrade Cottonwood booster station
- Replace field maintenance equipment
  - Trucks, Vac trailer, valve exercisers, etc.

# New Ulm's Water Supply – 13 Wells



# Wellfield Rehabilitation Plan

Well #	Action Plan	Estimated Cost
15	Rejuvenate - COMPLETE	\$ 165,000
25	Rejuvenate - COMPLETE	\$ 77,000
24	Rejuvenate - IN PROGRESS	\$ 165,000
26	Rejuvenate - SUMMER 2026	\$ 85,000
22	Reconstruct - FALL 2026	\$ 400,000
23	Reconstruct - FALL 2026	\$ 1,000,000

Well #	Action Plan	Estimated Cost
21	Rejuvenate - 2027	\$ 85,000
27	Rejuvenate - 2027	\$ 85,000
4	Rejuvenate - 2028	\$ 60,000
6	Rejuvenate - 2029	\$ 60,000
18	Reconstruct - 2029	\$ 250,000
19	Reconstruct - 2029	\$ 250,000
20	Reconstruct - 2030	\$ 80,000

- Replace aged electrical wiring to south well field and add redundancy (2026-27)
- Replace WTP raw water meter and remove pipe narrowing - \$75,000 (2027)
- Replace pipeline under MN river to south well field - \$550,000 (2027-28)
- Replace well house roofs on #15, 24, & 25 - \$50,000 (2028)

Projects in yellow are placeholders, actual costs will be much higher (see Well # 22 & 23)



Well house roof condition



Failed well meter



Sediment clogging the wells



Clogged pump screen



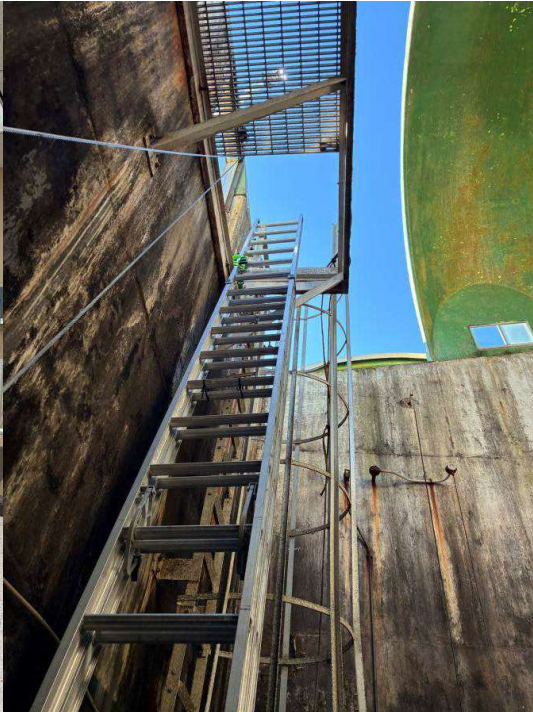
Leaking and corroded well T-joint

# Capital Plan - Wastewater

- MCC Replacement - \$1.2 M (2026)
- Courtland Receiving Station Rehab - \$0.5 M (2026)
- Center Street Lift Station Fix - \$2.5 M (2027)
- Blower Replacement & Emergency Generator - \$3.25 M (2027-28)
- 20<sup>th</sup> Street Force Main Replacement - \$3.5 M (2028)
- ATAD Storage Roof Rehab - \$0.9 M (2029)
- “Other Capital Improvements” - \$4.0 M (2027-30)
  - 2025 Water Treatment Facility Plan - ~\$120 M needed in next 20 years



1970s era motor control center (MCC)



Emergency repair of the Center St sewage lift station



1970s era aeration blower



Courtland receiving station

# Risk of Inaction

## **Water:**

- Within next two years, the Water Fund will run out of money
- O&M backlog will accelerate, and revenue/expense mismatch will increase
- Mandatory demand curtailment, pressure drops, boil water notices

## **Wastewater:**

- Non-compliance with river discharge permits
- Raw sewage into the rivers
- Accelerating rates of deterioration and financial obligation

**Economic:** Declining reliability pushes out major employers

# 3. What's Not Included

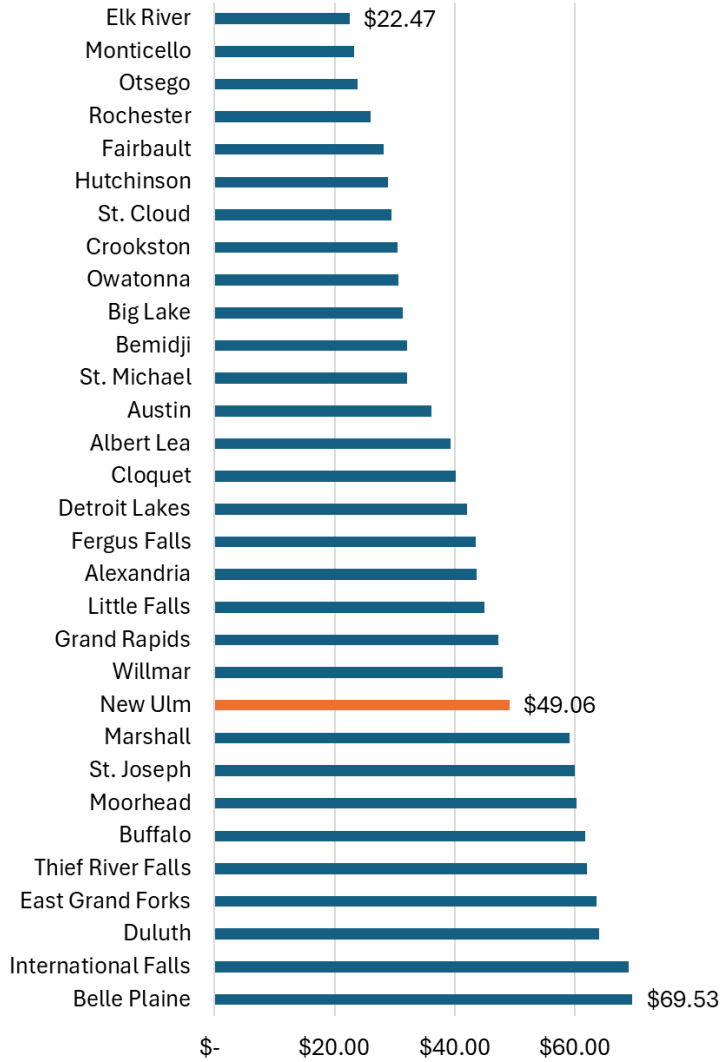
# What's Not Included

- **Water:**
  - Customer meter replacement (> 20% are > 20 years old)
  - Pipe (118 mi.), valve (1,850), and hydrant (790) replacements
  - Operation & maintenance needs (3.5% inflation currently assumed)
- **Wastewater:**
  - Pipe (80 mi.) replacement
  - Debt service for Treatment Plant capital replacement (\$120 M identified)
  - Operation & maintenance needs (3.5% inflation currently assumed)
  - (?) PFAS biosolids treatment (?); (?) new nitrogen, chloride limits (?)
- **Rate Design:** Did not review rate classes, tiers, etc.

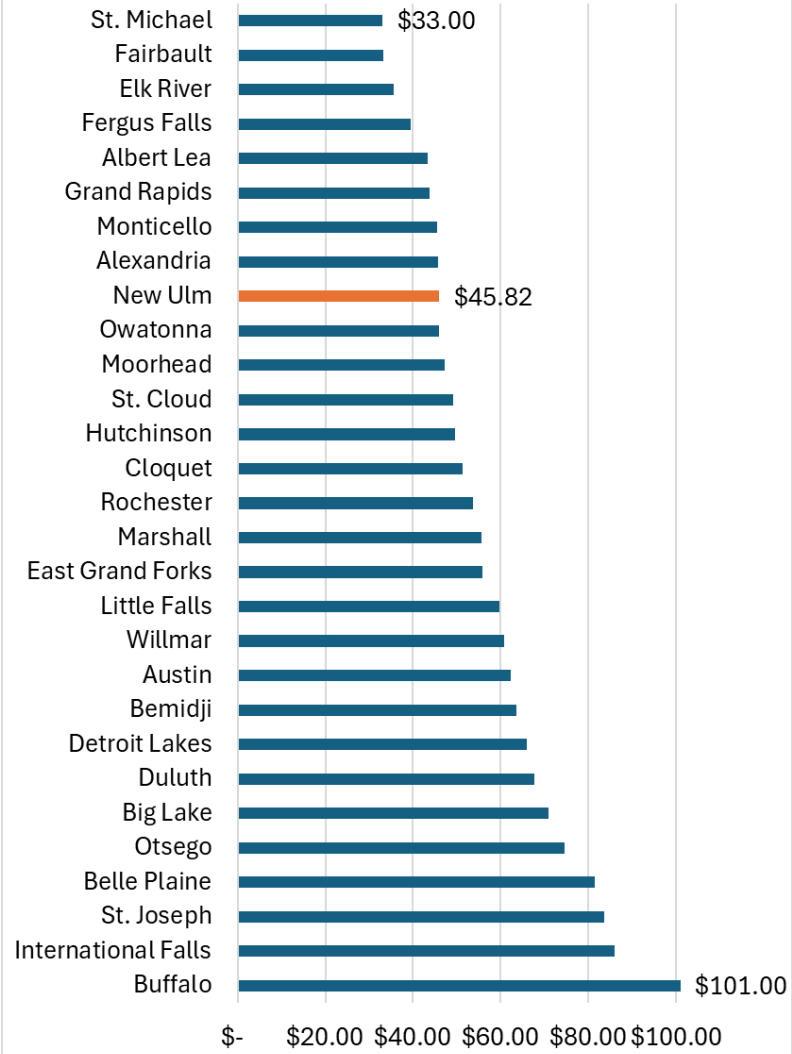
Bottom Line – More revenue will be needed, request likely in 2029

# 4. Rate Comparison

2025 MN Residential Water Bill Comparison  
(6 kgal / mo)



2025 MN Residential Sewer Bill Comparison  
(6 kgal / mo, mechanical treatment)

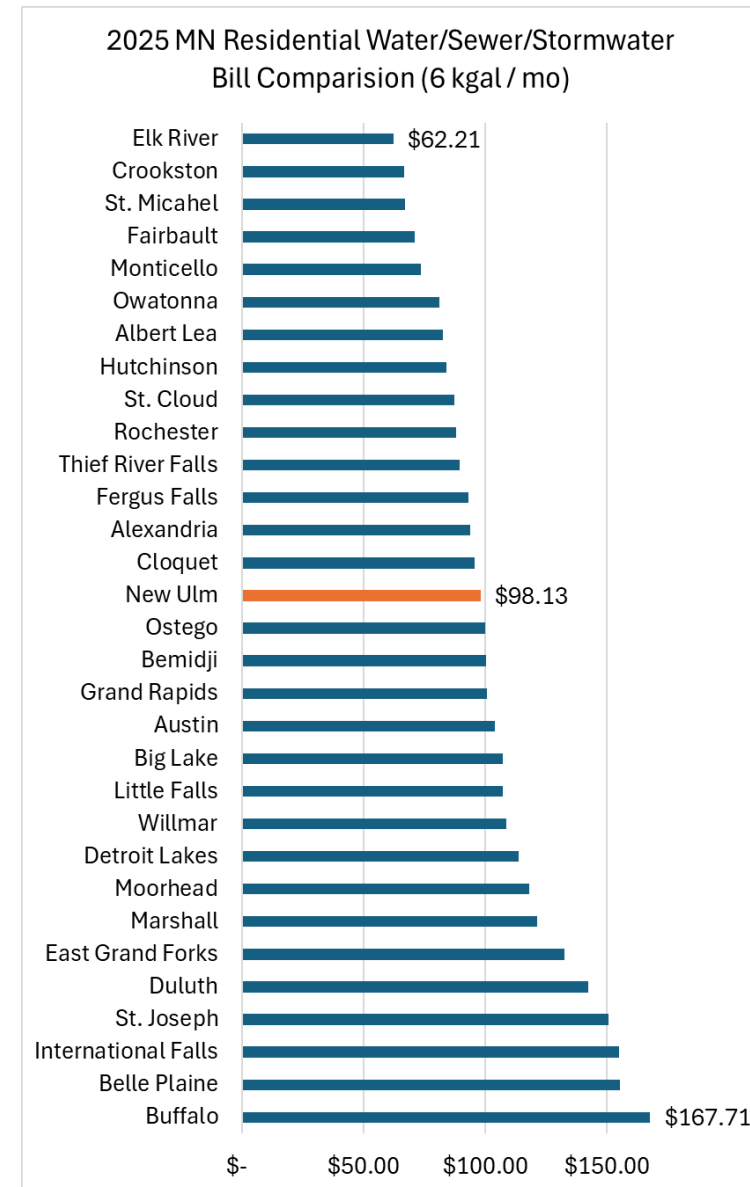


Source:  
 “2025 Annual Utility  
 Rate Survey;  
 Communities 5,000  
 and Above”  
 © 2025 AE2S



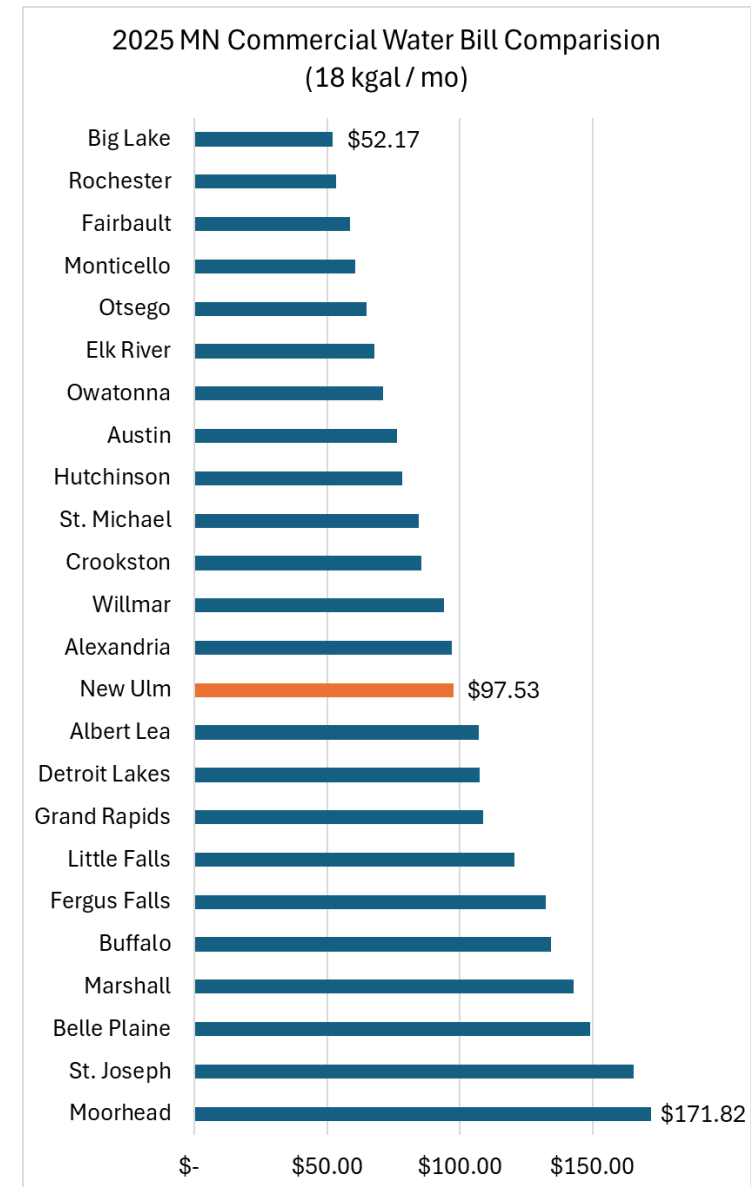
# Rate Comparison

- Comparison made at 6 kgal water + sewer
  - New Ulm median water use = ~3.5 kgal / mo
  - New Ulm median sewer use = ~3.0 kgal / mo
- Countless factors impact position
  - Growing factor is timing of latest increase or capital investment
  - If New Ulm looks high, look again in a few years
- Takeaway:
  - New Ulm residential water + sewer rates are somewhere in the middle



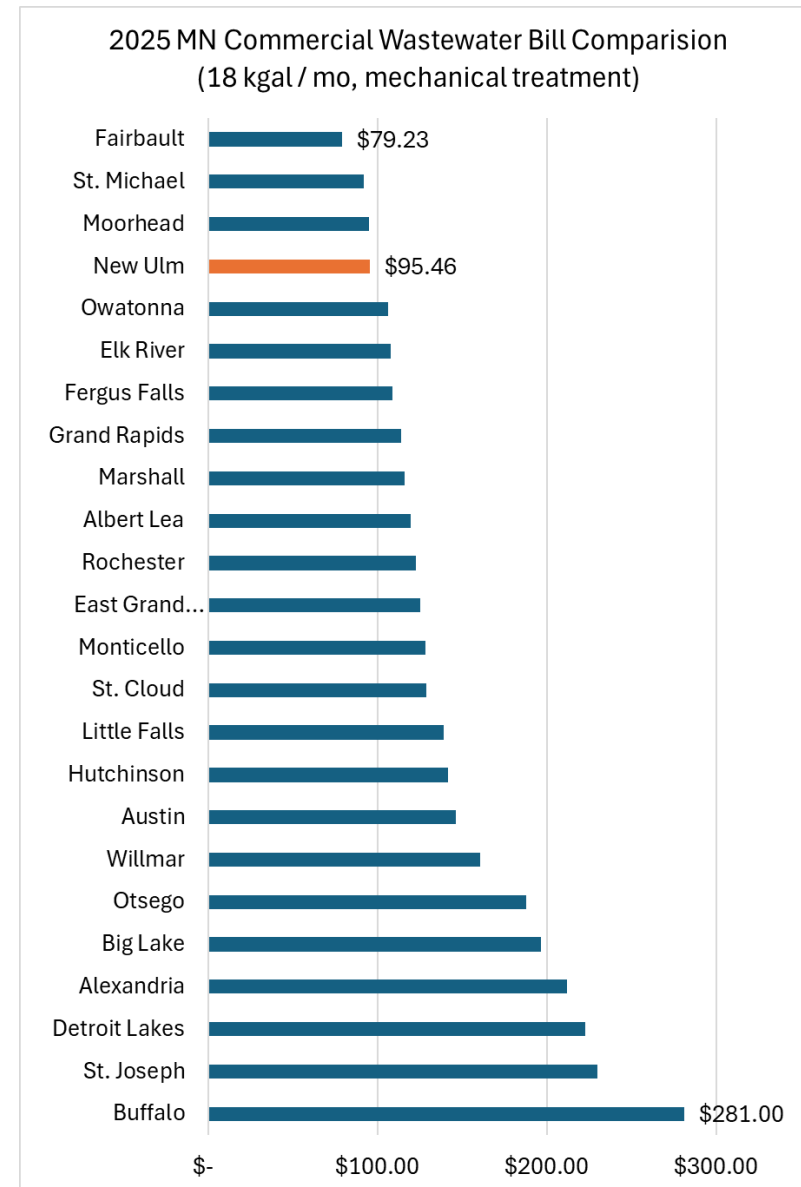
# Rate Comparison

- Comparison made at 18 kgal / mo
  - Equal to NU 90<sup>th</sup> Percentile Small Commercial
- Takeaway:
  - New Ulm commercial water rates are somewhere in the middle



# Rate Comparison

- Comparison made at 18 kgal / mo
  - Equal to NU 90<sup>th</sup> Percentile Small Commercial
- Takeaway:
  - New Ulm commercial wastewater rates are somewhere in the middle



# 5. Rate Alternatives

# Rate Alternatives

- Key Methods & Assumptions:
  - All Operations & Maintenance (O&M) costs escalated by 3.5% annually
  - Two (2) FTEs added/restored – 1.5 water, 0.5 wastewater
  - Phasing out water tier structure for Industrial & Large Commercial by 2030
  - Water revenue requirement allocated to 37% fixed and 63% volumetric
  - Residential water Tier 2 goes from 1.25x Tier 1 in 2026 to 1.50x Tier 1 in 2030
  - Increased commercial and industrial wastewater charges relative to residential
  - Wastewater revenue requirement allocated to 21% fixed and 79% volumetric

Source:  
Rate estimates  
provided by Dave Berg  
Consulting, LLC

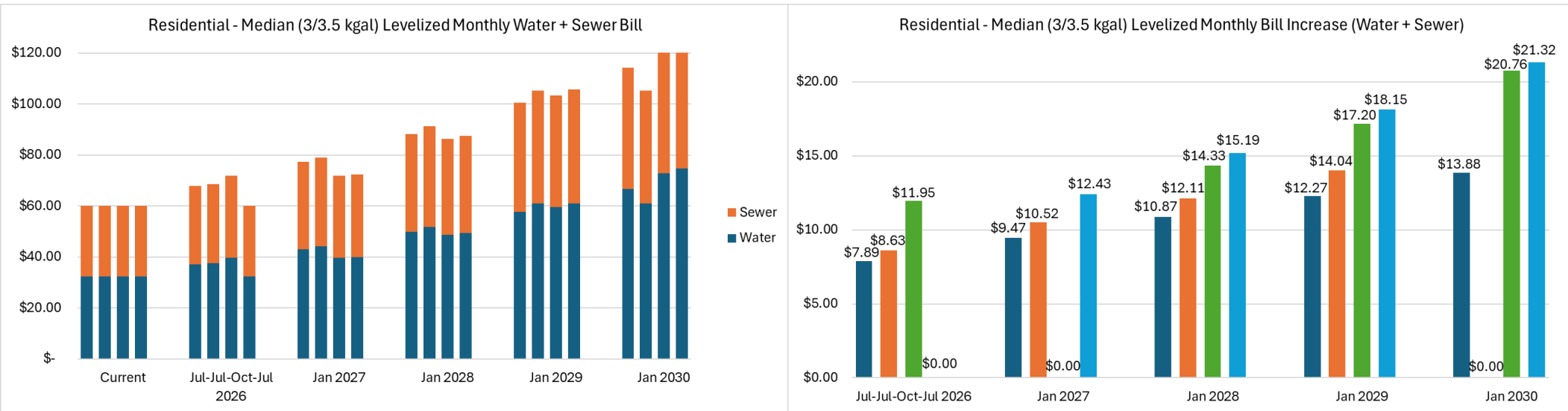


# Rate Alternatives

- Four Alternatives Proposed (All finish January 2030):
  1. First increase July 1, then four (4) annual increases on Jan 1
  2. First increase July 1, then three (3) annual increase on Jan 1
  3. First increase October 1, then three (3) annual increases on Jan 1, skip 2027
  4. First increase January 1, then three (3) annual increases on Jan 1
- Primary Tradeoff: Rate shock versus higher ending point
  - Starting just six months later results in ~21% higher combined costs for residential in 2030 (Alt. 4 vs. Alt 2)
- Other options possible, including rate design – important consideration is meeting the revenue requirement

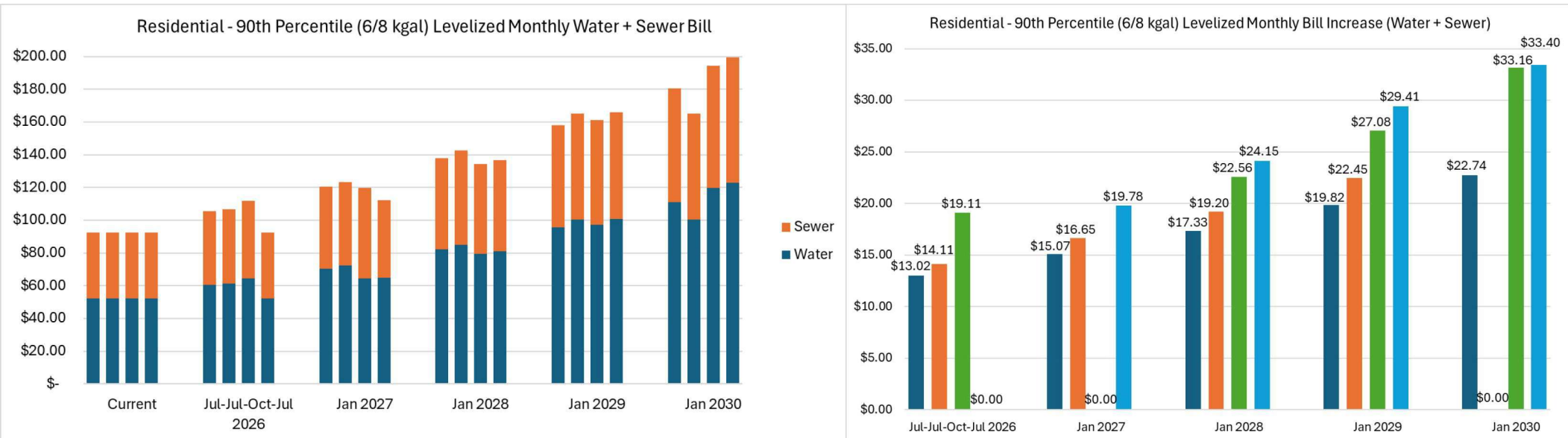
# Rate Alternatives – Residential (Median)

- As of Jan 1, 2027, alternatives result in median combined bill increasing \$12 – 19 per month
- Alternatives result in combined bill increasing 91 – 112% over 5 years



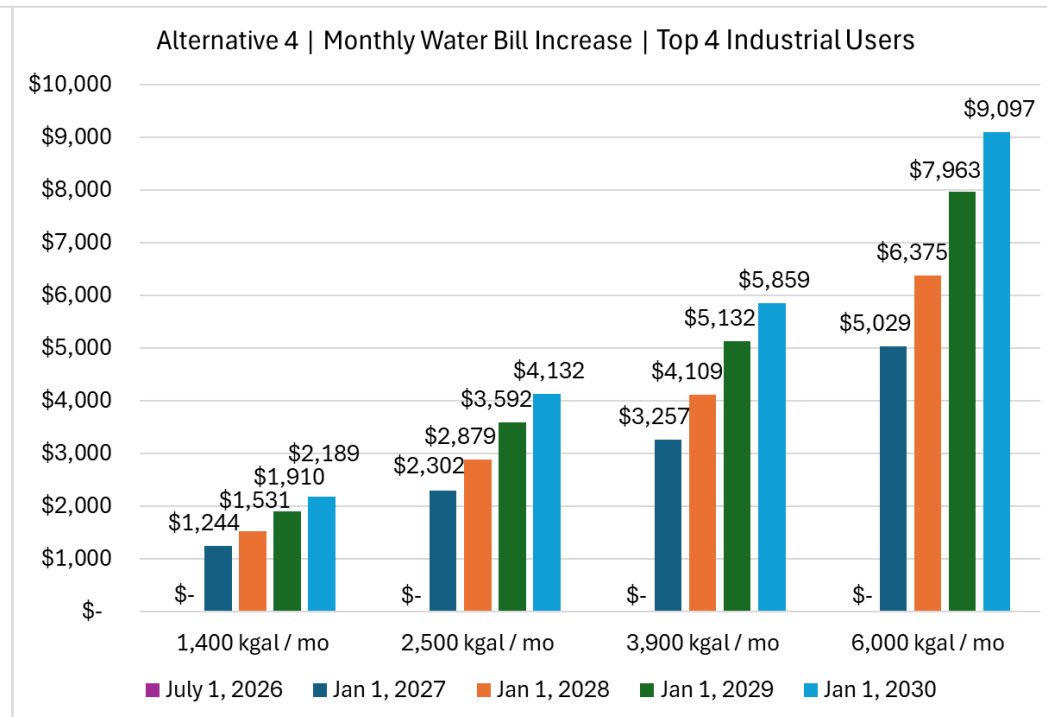
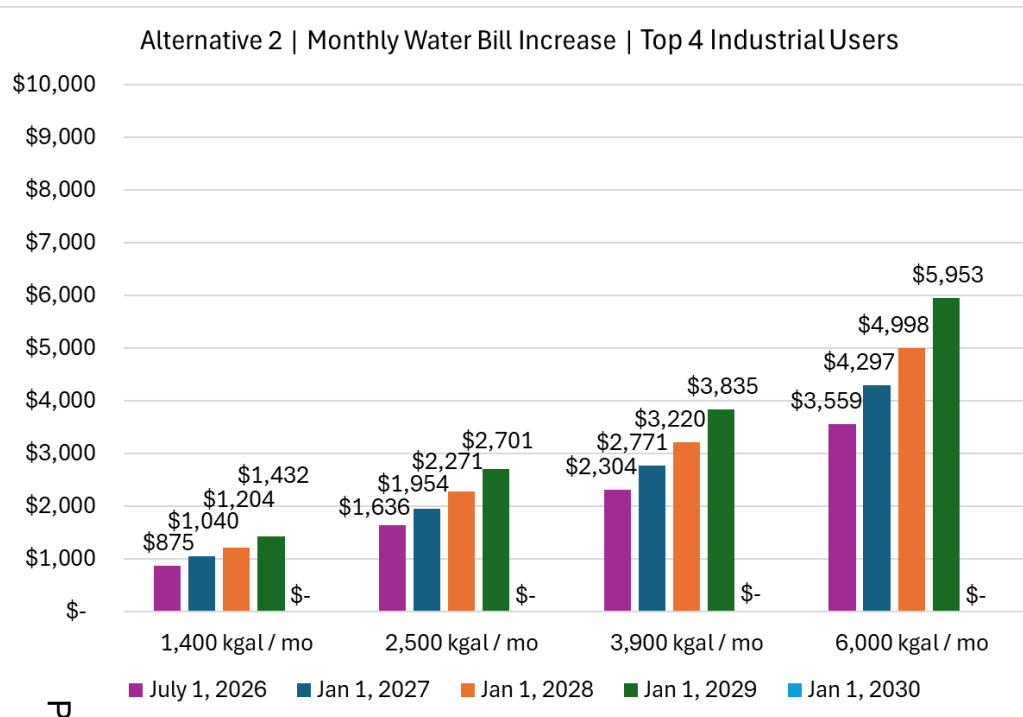
# Rate Alternatives – Residential (90<sup>th</sup> Prctl)

- As of Jan 1, 2027, alternatives result in median combined bill increasing \$19 – 31 per month
- Alternatives result in combined bill increasing 78 – 115% over 5 years



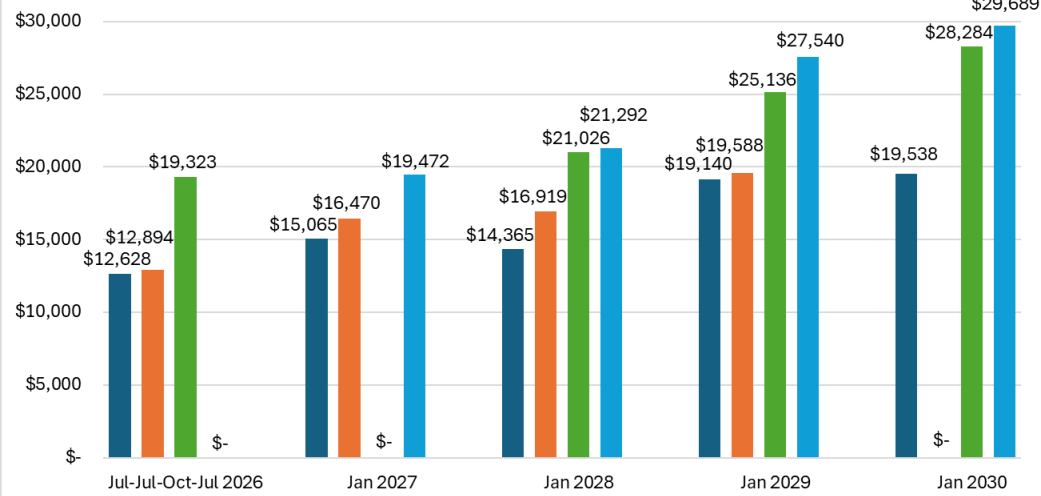
# Rate Alternatives - Industrial, Water

- Rate increase start date makes significant difference over five years—annual water bills are 24.5% higher in 2030 for Alt 4 vs. Alt 2

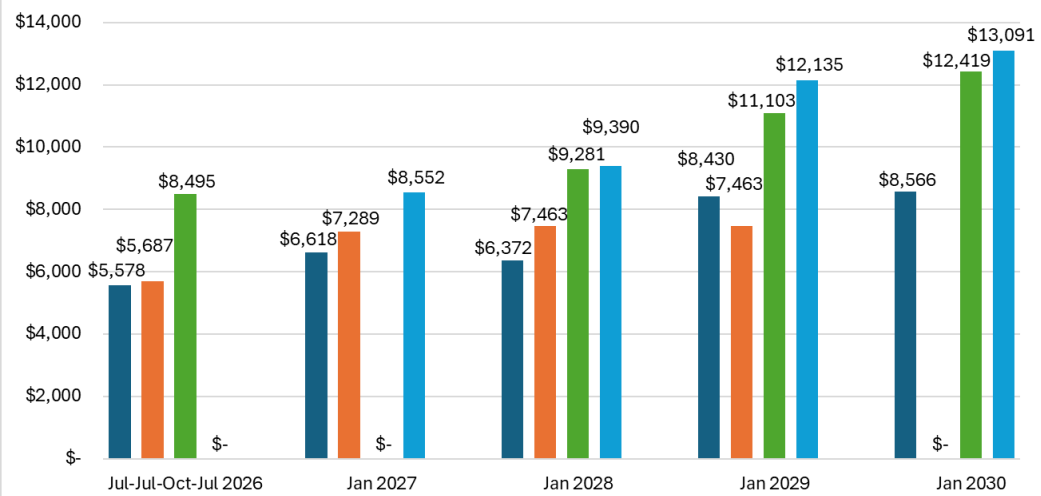


# Rate Alternatives - Industrial, Wastewater

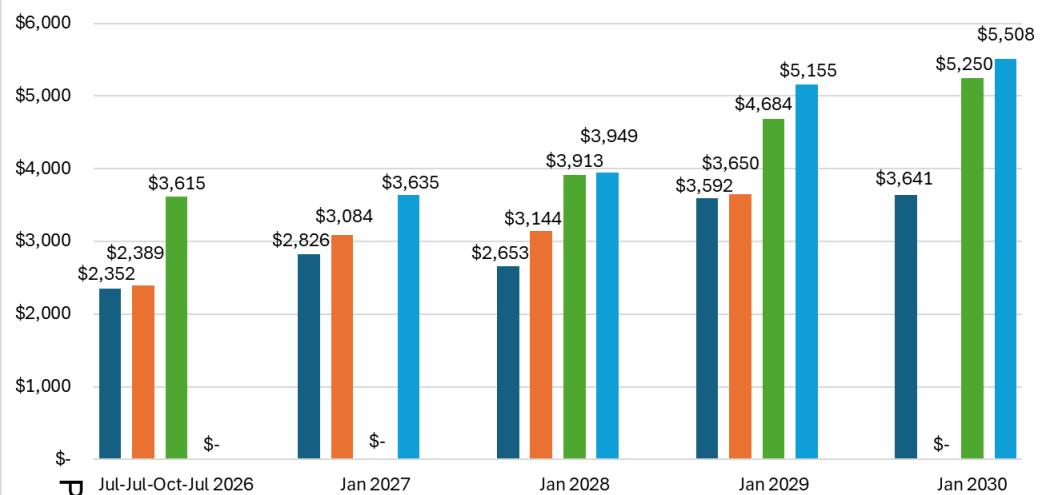
Industrial Customer A - Monthly Wastewater Bill Increase Estimate



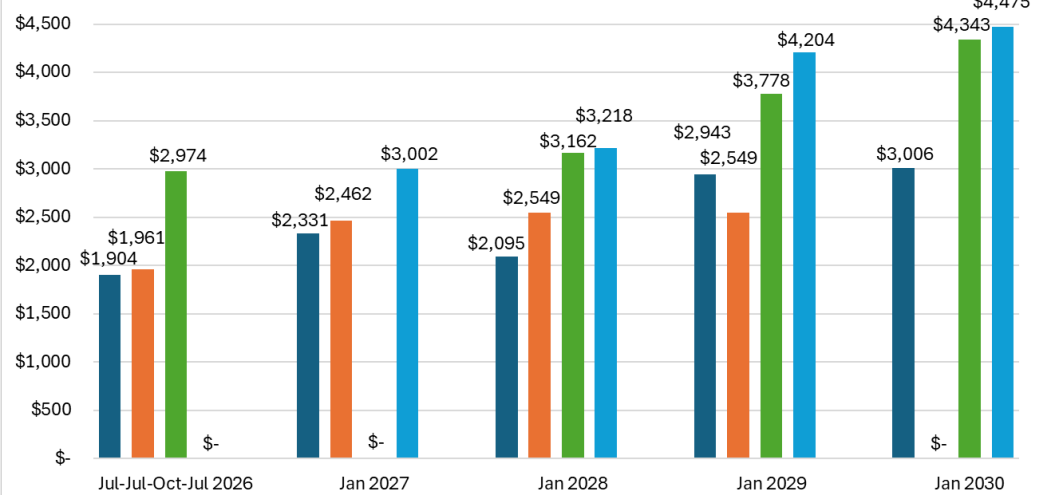
Industrial Customer B - Monthly Wastewater Bill Increase Estimate



Industrial Customer C - Monthly Wastewater Bill Increase Estimate



Industrial Customer D - Monthly Wastewater Bill Increase Estimate



# 6. Next Steps

# Next Steps

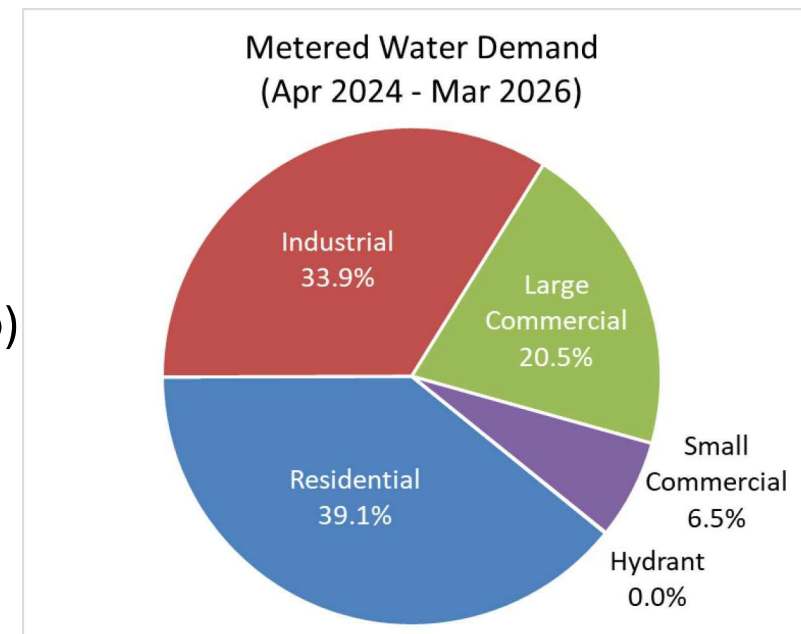
- Gather PUC input on preferred alternative
  - Public communication e.g., The Journal, PUC Newsletter, NUCAT, Facebook, KNUJ, YouTube, Utility website
  - Meet with major industrial customers
  - Proposed rate increase begins:
    - July 1\*, or
    - October 1, or
    - January 1
- \*Must approve rate schedule at May 26 PUC meeting for July 1 start
- Tours are available to be scheduled, just ask

# Customer Profile

# Customer Profile - Water

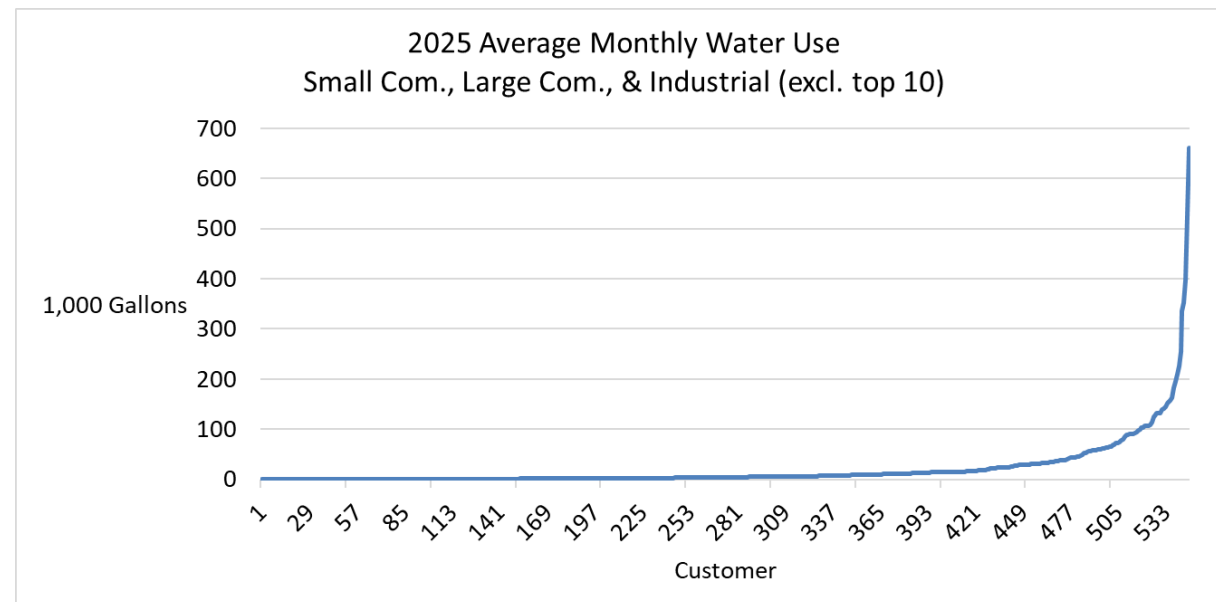
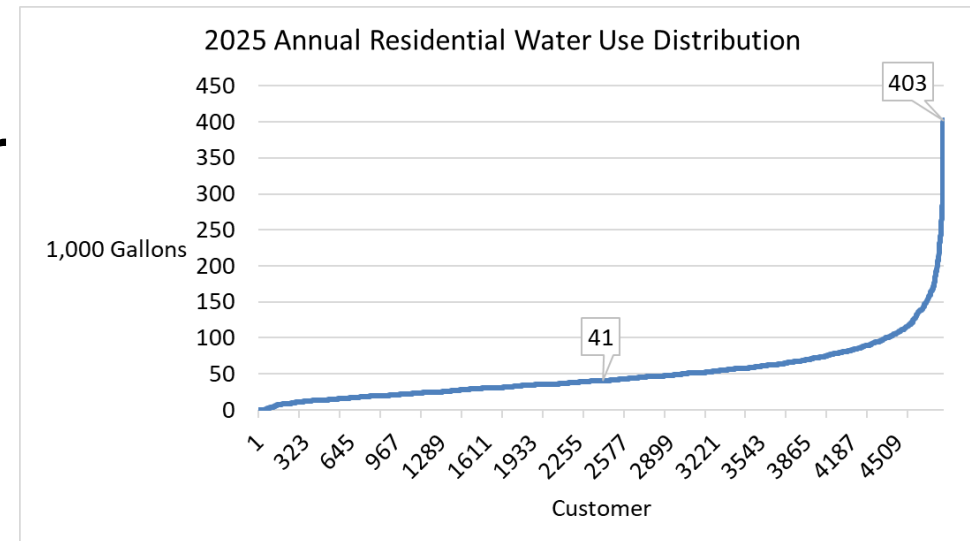
- ~5,350 addresses with consumption in last 12 months
  - 89.1% - Residential
  - 8.8% - Small Commercial (< 30 kgal / mo)
  - 1.8% - Large Commercial (30-840 kgal / mo)
  - 0.2% - Industrial (> 840 kgal / mo)

Kgal = 1,000 gallons



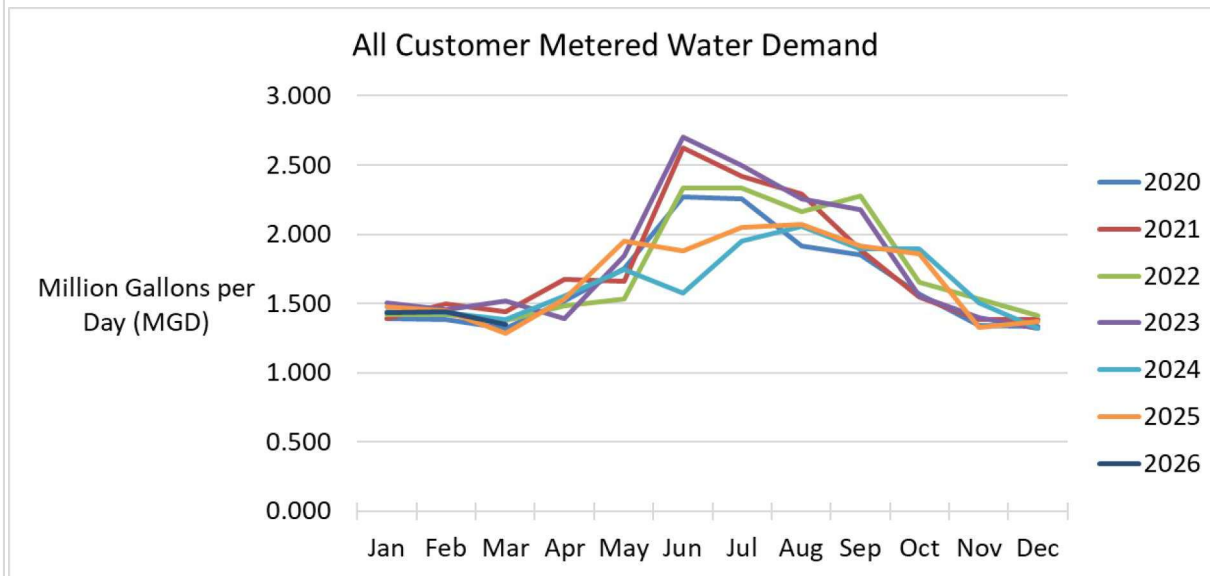
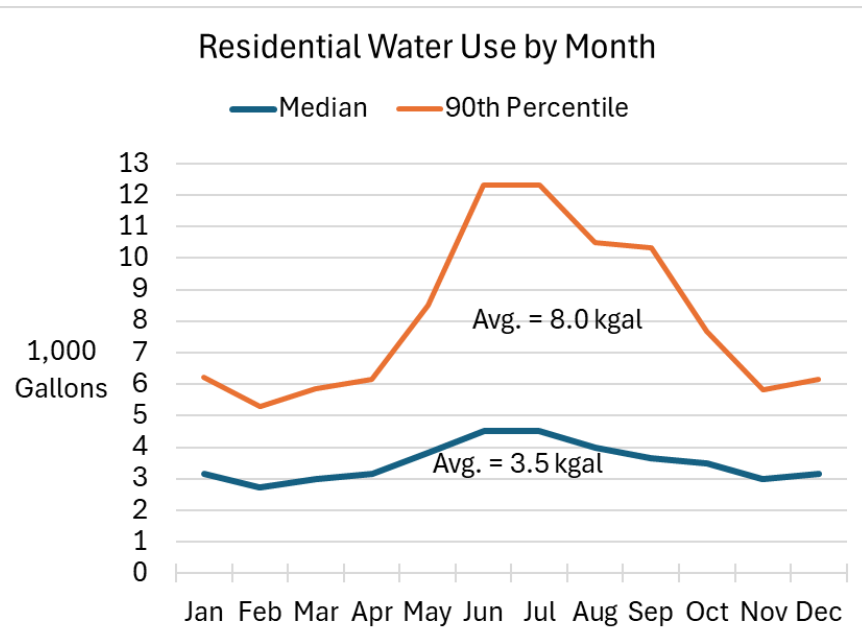
# Customer Profile - Water

- Water demand highly skewed to small group of large users
  - Top 10 users represent 34-39% of total demand
  - Top 3 industrial users represent 20-24% of total water demand
  - Top 5% of residential accounts use 16% of residential water
  - Top 25% of residential accounts use 50% of residential water



# Customer Profile - Water

- Water demand nearly doubles in the summer versus winter
- Annual demand varies +/- 5%; summer weather is main factor

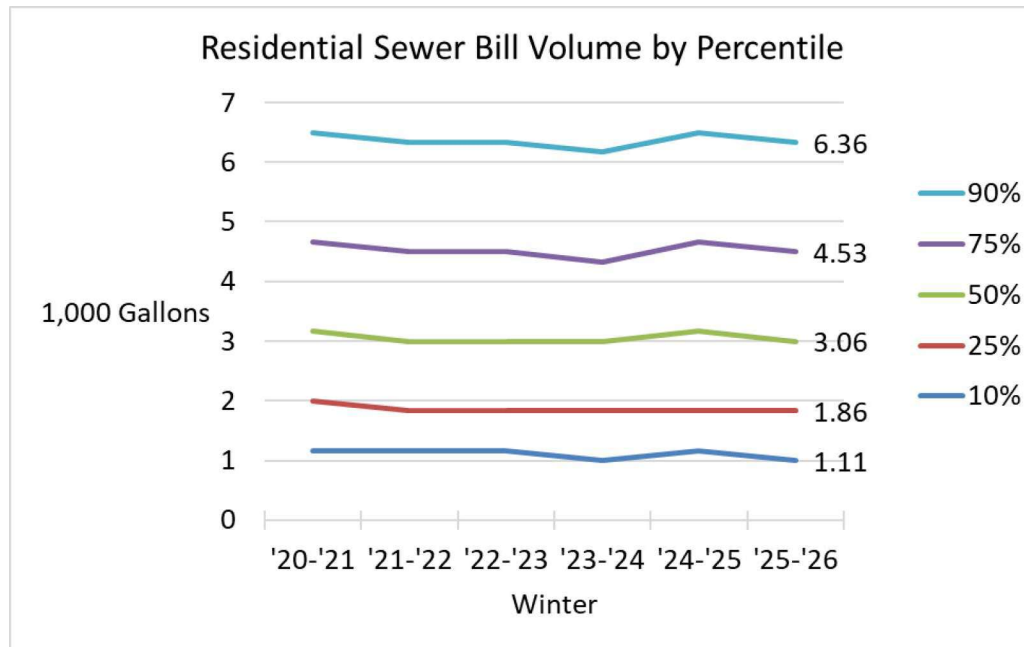


# Customer Profile - Sewer

- Residential sewer volumes are stable with low variability
- Sewer volumes determined by:
  - Number of people per household
  - Age and efficiency of appliances and fixtures

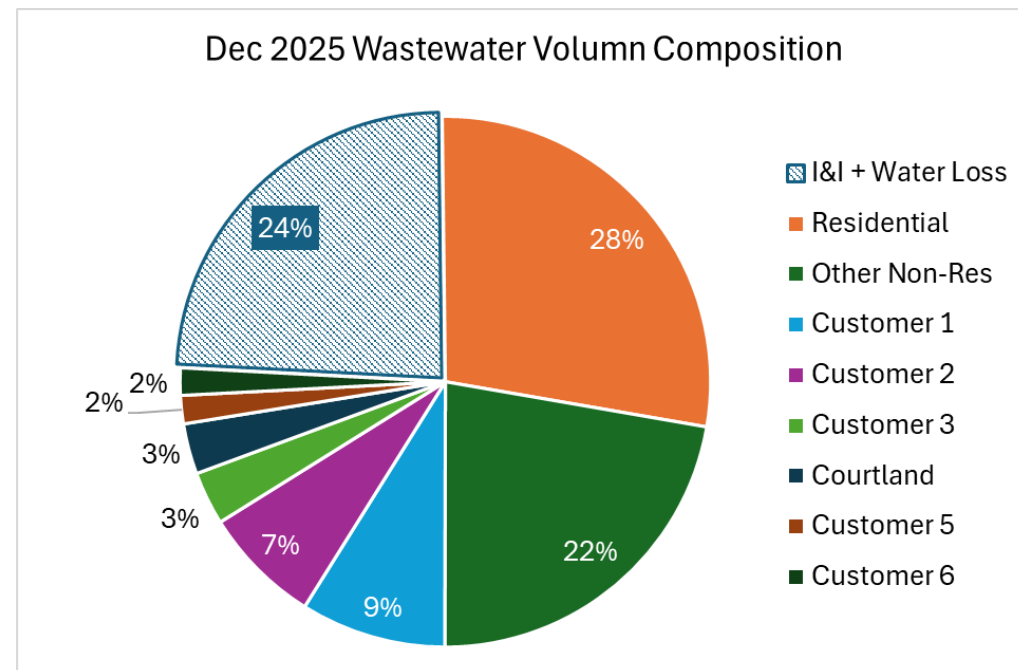
**Residential Sewer Volume Estimator (kgal / month)**

Persons per Household	Gallons per Person per Day			
	35	40	45	50
1	1.1	1.2	1.4	1.5
2	2.1	2.4	2.7	3.0
3	3.2	3.7	4.1	4.6
4	4.3	4.9	5.5	6.1
5	5.3	6.1	6.8	7.6
6	6.4	7.3	8.2	9.1
7	7.5	8.5	9.6	10.7
8	8.5	9.7	11.0	12.2



# Customer Profile - Sewer

- Top 6 customers send ~26% of flows
- Residential sends ~28% of flows
- “I&I + Water Loss”
  - Infiltration and inflow (I&I)
  - Apparent water loss e.g., metering
- In Dec 2025, wastewater treatment plant treated ~425,000 gallons per day with an unknown source



#### Chart Assumptions:

- 90% of “Residential” water use returned to sewer
- 100% of “Other Non-Res” water use returned to sewer
- Actual wastewater volume = 55.010 million gallons