



AGENDA

Public Utilities Commission Work Session

5:00 PM - Tuesday, April 28, 2026

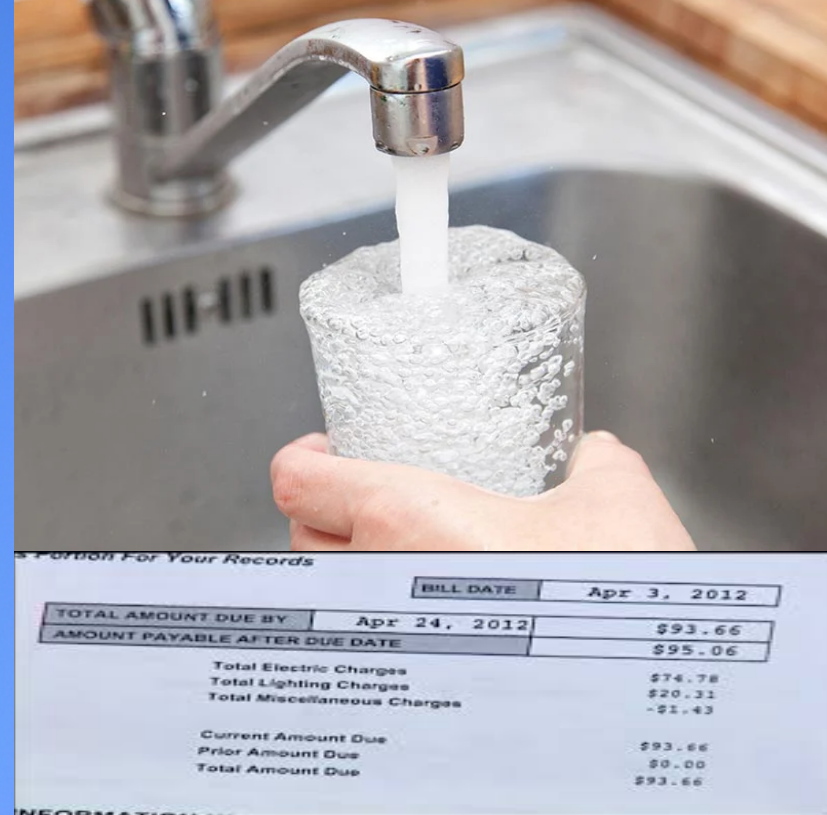
City Hall Council Chambers

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1. PUBLIC MEETING NOTICE	
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2. TOPICS OF DISCUSSION	
2.1. Review Water-Wastewater Rate Study and Cost of Service Analysis NewUlmPresentation	3 - 25

Public Notice
New Ulm Public Utilities
New Ulm, Minnesota

An informational Work Session to discuss **preliminary results from a water and wastewater rate study and cost of service analysis conducted by Dave Berg Consulting, LLC** will be held in the City Hall Council Chambers, 100 North Broadway, New Ulm, at approximately 4:45 p.m. Tuesday, April 28, 2026 (following the regular Public Utilities Commission meeting).

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.



Water and Wastewater Cost of Service and Rate Design Study

New Ulm Public Utilities Commission

David A. Berg, PE
Principal – Dave Berg Consulting
April 28, 2026



NEW ULM The Power of
Community!
PUBLIC UTILITIES

Discussion Items

- **Capital Improvements**
- **Debt/O&M Adjustments**
- **Projected Operating Results – Existing Rates**
- **Projected Cash Reserves – Existing Rates**
- **Cost-of-Service – Water**
- **Rate Recommendations**
- **Regional Rate Comparison**
- **Projected Operating Results – Proposed Rates**
- **Projected Cash Reserves – Proposed Rates**
- **Future Considerations**

Capital Improvements

Capital Improvements- Water/Wastewater Utilities

Year	2026	2027	2028	2029	2030
Water capital	\$2,310,000	\$1,638,000	\$1,693,000	\$1,538,000	\$3,513,000
Wastewater capital	\$2,375,000	\$6,105,000	\$6,125,000	\$2,025,000	\$1,125,000

<u>avg</u>	<u>6-year historical avg</u>	<u>5-year projected</u>
Water Capital/yr	\$980,900	\$2,138,000
Wastewater Capital/yr	\$1,457,845	\$3,551,000

Debt/O&M Adjustments

- **Water**
 - Additional \$1.5 million loan from Gas Dept in 2026
 - \$2.0 million bond issue in 2030
- **Wastewater**
 - EPA Funds
 - \$1,275,000 in 2026
 - \$585,000 in 2027
 - \$900,000 in 2029
 - \$2.5 million bond issue in 2027
- **O&M Staffing Adjustments – only changes other than inflation**
 - New water operator added in 2027
 - New clerical positions split between W/WW added in 2027

Water Projections

Projected Operating Results – Existing Rates - Water

Projected Operating Results-Water Existing Rates

Year	2026	2027	2028	2029	2030
Operating Revenues	\$3,676,269	\$3,676,269	\$3,676,269	\$3,676,269	\$3,676,269
Less Operating Expenses	(3,933,061)	(4,290,861)	(4,448,090)	(4,610,744)	(4,771,948)
Plus <u>Non</u> -Operating Revenue	192,270	143,964	107,704	107,770	76,720
Plus Capital Contributions	799,343	429,330	429,330	429,330	429,330
Less Transfer to City	(450,000)	(450,000)	(450,000)	(450,000)	(475,000)
Change in Net Position	\$284,821	\$(491,299)	\$(684,788)	\$(847,375)	\$(1,064,630)
Net Position as Percent of Revenues	7.7%	-13.4%	-18.6%	-23.0%	-29.0%

Projected Cash Reserves – Existing Rates - Water

Projected Cash Reserves-Water Existing Rates

Year	2026	2027	2028	2029	2030
Beginning Balance	\$3,422,825	\$2,733,303	\$756,675	\$(1,423,842)	\$(3,345,513)
Plus Change in Net Position	284,821	(491,299)	(684,788)	(847,375)	(1,064,630)
Plus Depreciation	1,080,000	1,157,000	1,211,600	1,268,033	1,319,300
Less Capital Contributions	(799,343)	(429,330)	(429,330)	(429,330)	(429,330)
Plus Gas Loan Proceeds	1,500,000				
Plus New Debt Proceeds		-	-	-	2,000,000
Less Water Capital Improvements	(2,310,000)	(1,638,000)	(1,693,000)	(1,538,000)	(3,513,000)
Less Existing Debt Principal	(195,000)	(200,000)	(210,000)	-	-
Less Gas Loan Principal	<u>(250,000)</u>	<u>(375,000)</u>	<u>(375,000)</u>	<u>(375,000)</u>	<u>(375,000)</u>
Ending Balance	\$2,733,303	\$756,675	\$(1,423,842)	\$(3,345,513)	\$(5,408,172)
Reserves as % of Operating Revenue	74.3%	20.6%	-38.7%	-91.0%	-147.1%
Target Reserves	\$3,931,531	\$3,404,931	\$3,521,245	\$3,209,355	\$5,239,324
Over/Under Target Reserves	\$(1,198,227)	\$(2,648,256)	\$(4,945,087)	\$(6,554,868)	\$(10,647,496)

Water Cost-of-Service

Water Cost of Service Results Comparison of % Cost and Revenues 2025 Test Year

Customer Classification	Allocated Cost to Serve	Revenues	Increase/ (Decrease)
Residential	56.1%	57.2%	-1.8%
Small Commercial	8.2%	8.7%	-6.1%
Large Commercial	16.0%	14.8%	8.0%
Industrial	<u>19.7%</u>	<u>19.3%</u>	<u>2.1%</u>
Total	100.0%	100.0%	0.0%

Proposed Water Rate Adjustments

- **Water increase alternatives (July 1, 2026 and January 1 thereafter)**
 - **One big increase – 63% on 7/1/26**
 - **Two increases – 30% on 7/1/26 and 1/1/27**
 - **Three increases – 22% on 7/1/26, 1/1/27 and 1/1/28**
 - **Four increases – 18% on 7/1/26, 1/1/27, 1/1/28 and 1/1/29**
 - **Five Increases – 16.5% on 7/1/26 and each Jan. 1 thereafter**
 - **Recommended**
 - **Phase out block rates in Large Commercial and Industrial**
 - **Resulting rates are 37% fixed and 63% volumetric**

Existing and Proposed Rates – Water

	Existing Rate	2026 Proposed Rate	2027 Proposed Rate	2028 Proposed Rate	2029 Proposed Rate	2030 Proposed Rate
<u>Water</u>						
Customer Charges per month						
5/8 or 3/4 inch	\$ 19.00	\$ 22.14	\$ 25.79	\$ 30.04	\$ 35.00	\$ 40.77
1 inch	\$ 26.60	\$ 30.99	\$ 36.10	\$ 42.06	\$ 49.00	\$ 57.08
1 1/2 inch	\$ 31.20	\$ 36.35	\$ 42.35	\$ 49.33	\$ 57.47	\$ 66.96
2 inch	\$ 55.10	\$ 64.19	\$ 74.78	\$ 87.12	\$ 101.50	\$ 118.24
3 inch	\$ 209.00	\$ 243.49	\$ 283.66	\$ 330.46	\$ 384.99	\$ 448.51
4 inch	\$ 266.00	\$ 309.89	\$ 361.02	\$ 420.59	\$ 489.99	\$ 570.84
6 inch	\$ 399.00	\$ 464.84	\$ 541.53	\$ 630.89	\$ 734.98	\$ 856.25
8 inch	\$ 551.00	\$ 641.92	\$ 747.83	\$ 871.22	\$ 1,014.97	\$ 1,182.45
Consumption Rates (per 1000 gallons)						
Residential						
Block 1 (up to 5000 gallons/mo)	\$ 3.80	\$ 4.25	\$ 4.90	\$ 5.66	\$ 6.49	\$ 7.40
Block 2 (over 5000 gallons/mo)	\$ 4.75	\$ 5.75	\$ 6.75	\$ 7.92	\$ 9.35	\$ 11.10
Small Commercial						
Block 1 (up to 9000 gallons/mo)	\$ 3.42	\$ 3.80	\$ 4.22	\$ 4.84	\$ 5.59	\$ 6.45
Block 2 (over 9000 gallons/mo)	\$ 3.76	\$ 4.45	\$ 5.35	\$ 6.30	\$ 7.38	\$ 8.65
Large Commercial						
Block 1 (up to 100,000 gallons/mo)	\$ 3.46	\$ 4.10	\$ 4.82	\$ 5.65	\$ 6.61	\$ 7.73
Block 2 (over 100,000 gallons/mo)	\$ 3.81	\$ 4.30	\$ 4.97	\$ 5.75	\$ 6.66	\$ 7.73
Industrial						
Block 1 (up to 556,000 gallons/mo)	\$ 3.08	\$ 3.65	\$ 4.28	\$ 5.01	\$ 5.86	\$ 6.86
Block 2 (over 556,000 gallons/mo)	\$ 3.25	\$ 3.75	\$ 4.35	\$ 5.06	\$ 5.89	\$ 6.86

Projected Results – Proposed Rates - Water

Projected Operating Results-Water Proposed Rates

Year	2026	2027	2028	2029	2030
Operating Revenues	\$3,995,766	\$4,969,039	\$5,785,165	\$6,735,852	\$7,846,514
Less Operating Expenses	(3,933,061)	(4,340,200)	(4,538,800)	(4,749,648)	(4,967,156)
Plus <u>Non</u> -Operating Revenue	192,270	153,373	154,008	172,941	173,230
Plus Capital Contributions	799,343	429,330	429,330	429,330	429,330
Less Transfer to City	<u>(450,000)</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>(475,000)</u>
Change in Net Position	\$604,318	\$761,541	\$1,379,702	\$2,138,475	\$3,006,919
Net Position as Percent of Revenues	15.1%	15.3%	23.8%	31.7%	38.3%

Projected Cash Reserves – Proposed Rates - Water

Projected Cash Reserves-Water Proposed Rates

Year	2026	2027	2028	2029	2030
Beginning Balance	\$3,422,825	\$3,052,800	\$2,329,012	\$2,212,985	\$3,277,163
Plus Change in Net Position	604,318	761,541	1,379,702	2,138,475	3,006,919
Plus Depreciation	1,080,000	1,157,000	1,211,600	1,268,033	1,319,300
Less Capital Contributions	(799,343)	(429,330)	(429,330)	(429,330)	(429,330)
Plus Gas Loan Proceeds	1,500,000				
Plus New Debt Proceeds		-	-	-	2,000,000
Less Water Capital Improvements	(2,310,000)	(1,638,000)	(1,693,000)	(1,538,000)	(3,513,000)
Less Existing Debt Principal	(195,000)	(200,000)	(210,000)	-	-
Less Gas Loan Principal	<u>(250,000)</u>	<u>(375,000)</u>	<u>(375,000)</u>	<u>(375,000)</u>	<u>(375,000)</u>
Ending Balance	\$3,052,800	\$2,329,012	\$2,212,985	\$3,277,163	\$5,286,052
Reserves as % of Operating Revenue	76.4%	46.9%	38.3%	48.7%	67.4%
Target Reserves	\$3,931,531	\$3,429,600	\$3,566,600	\$3,278,807	\$5,336,928
Over/Under Target Reserves	\$(878,730)	\$(1,100,588)	\$(1,353,616)	\$(1,644)	\$(50,876)

Wastewater Projections

Projected Operating Results – Existing Rates - Wastewater

Projected Operating Results-Wastewater Existing Rates

Year	2026	2027	2028	2029	2030
Operating Revenues	\$4,951,140	\$4,951,140	\$4,951,140	\$4,951,140	\$4,951,140
Less Operating Expenses	(4,497,575)	(4,745,983)	(5,061,647)	(5,381,904)	(5,569,558)
Plus <u>Non</u> -Operating Revenue	192,781	132,879	(51,944)	(186,479)	(173,137)
Plus Capital Contributions	799,343	679,866	679,866	679,866	679,866
Less Transfer to City	<u>(450,000)</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>(475,000)</u>
Change in Net Position	\$995,689	\$567,902	\$67,414	\$(387,378)	\$(586,689)
Net Position as Percent of Revenues	20.1%	11.5%	1.4%	-7.8%	-11.8%

Projected Cash Reserves – Existing Rates - Wastewater

Projected Cash Reserves-Wastewater Existing Rates

Year	2026	2027	2028	2029	2030
Beginning Balance	\$5,145,466	\$4,795,812	\$2,448,014	\$(3,404,923)	\$(4,522,011)
Plus Change in Net Position	995,689	567,902	67,414	(387,378)	(586,689)
Plus Depreciation	1,190,000	1,269,167	1,472,667	1,676,833	1,744,333
Plus EPA Funds	1,275,000	585,000	-	900,000	-
Plus New Debt Proceeds	-	2,500,000	-	-	-
Less Capital Contribution	(799,343)	(679,866)	(679,866)	(679,866)	(679,866)
Less WW Capital Improvements	(2,375,000)	(6,105,000)	(6,125,000)	(2,025,000)	(1,125,000)
Less Existing Debt Principal	(636,000)	(485,000)	(500,000)	(510,000)	(520,000)
Less New Debt Principal	-	-	<u>(88,152)</u>	<u>(91,678)</u>	<u>(95,345)</u>
Ending Balance	\$4,795,812	\$2,448,014	\$(3,404,923)	\$(4,522,011)	\$(5,784,578)
Reserves as % of Operating Revenue	96.9%	49.4%	-68.8%	-91.3%	-116.8%
Target Reserves	\$4,664,788	\$8,328,408	\$8,419,490	\$4,387,535	\$3,557,612
Over/Under Target Reserves	\$131,024	\$(5,880,394)	\$(11,824,413)	\$(8,909,547)	\$(9,342,190)

Proposed Wastewater Rate Adjustments

- **Wastewater increase alternatives (July 1, 2026 and January 1 thereafter)**
 - One big increase – 41% on 7/1/26
 - Two increases – 22% on 7/1/26 and 1/1/27
 - Three increases – 16% on 7/1/26, 1/1/27 and 1/1/28
 - Four increases – 13% on 7/1/26, 1/1/27, 1/1/28 and 1/1/29
 - Five Increases – 11.5% on 7/1/26 and each Jan. 1 thereafter
 - Recommended
 - Increase Commercial and Industrial customer charges relative to Residential
 - Resulting rates are 21% fixed and 79% volumetric

Existing and Proposed Rates - Wastewater

<u>Wastewater</u>	<u>Existing</u> <u>Rate</u>	<u>2026</u> <u>Proposed</u> <u>Rate</u>	<u>2027</u> <u>Proposed</u> <u>Rate</u>	<u>2028</u> <u>Proposed</u> <u>Rate</u>	<u>2029</u> <u>Proposed</u> <u>Rate</u>	<u>2030</u> <u>Proposed</u> <u>Rate</u>
Residential						
Customer Charge per month	\$ 15.00	\$ 16.73	\$ 18.65	\$ 20.79	\$ 23.18	\$ 25.85
Consumption (per 1000 gallons)	\$ 4.22	\$ 4.71	\$ 5.25	\$ 5.85	\$ 6.52	\$ 7.27
Commercial						
Customer Charge per month	\$ 15.00	\$ 18.00	\$ 21.00	\$ 24.00	\$ 27.00	\$ 30.00
Consumption (per 1000 gallons)	\$ 4.22	\$ 4.71	\$ 5.25	\$ 5.85	\$ 6.52	\$ 7.27
Industrial						
Customer Charge per month	\$ 15.00	\$ 20.00	\$ 25.00	\$ 30.00	\$ 35.00	\$ 40.00
Consumption (per 1000 gallons)	\$ 1.72	\$ 1.92	\$ 2.14	\$ 2.38	\$ 2.66	\$ 2.96
Phosphorus (per pound)	\$ 5.18	\$ 5.78	\$ 6.44	\$ 7.18	\$ 8.01	\$ 8.93
TSS (per pound)	\$ 0.25	\$ 0.28	\$ 0.31	\$ 0.35	\$ 0.39	\$ 0.43
BOD (per pound)	\$ 0.27	\$ 0.30	\$ 0.34	\$ 0.37	\$ 0.42	\$ 0.47
Municipal Water per month	\$ 1,083.33	\$ 1,207.91	\$ 1,346.82	\$ 1,501.71	\$ 1,674.40	\$ 1,866.96

Projected Cash Reserves – Proposed Rates - Wastewater

Projected Cash Reserves-Wastewater Proposed Rates

Year	2026	2027	2028	2029	2030
Beginning Balance	\$5,145,466	\$5,093,220	\$3,915,311	\$(32,988)	\$1,404,425
Plus Change in Net Position	1,293,097	1,737,791	1,972,052	2,167,124	2,788,585
Plus Depreciation	1,190,000	1,269,167	1,472,667	1,676,833	1,744,333
Plus EPA Funds	1,275,000	585,000	-	900,000	-
Plus New Debt Proceeds	-	2,500,000	-	-	-
Less Capital Contribution	(799,343)	(679,866)	(679,866)	(679,866)	(679,866)
Less WW Capital Improvements	(2,375,000)	(6,105,000)	(6,125,000)	(2,025,000)	(1,125,000)
Less Existing Debt Principal	(636,000)	(485,000)	(500,000)	(510,000)	(520,000)
Less New Debt Principal	=	=	<u>(88,152)</u>	<u>(91,678)</u>	<u>(95,345)</u>
Ending Balance	\$5,093,220	\$3,915,311	\$(32,988)	\$1,404,425	\$3,517,133
Reserves as % of Operating Revenue	97.0%	63.7%	-0.5%	18.4%	41.4%
Target Reserves	\$4,664,788	\$8,352,205	\$8,461,785	\$4,450,388	\$3,643,321
Over/Under Target Reserves	\$428,432	\$(4,436,894)	\$(8,494,773)	\$(3,045,963)	\$(126,188)

Projected Results – Proposed Rates –Wastewater

Projected Operating Results-Wastewater Proposed Rates

Year	2026	2027	2028	2029	2030
Operating Revenues	\$5,248,548	\$6,150,704	\$6,851,966	\$7,631,347	\$8,497,831
Less Operating Expenses	(4,497,575)	(4,793,576)	(5,146,236)	(5,507,610)	(5,740,975)
Plus <u>Non</u> -Operating Revenue	192,781	150,797	36,457	(186,479)	(173,137)
Plus Capital Contributions	799,343	679,866	679,866	679,866	679,866
Less Transfer to City	<u>(450,000)</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>(475,000)</u>
Change in Net Position	\$1,293,097	\$1,737,791	\$1,972,052	\$2,167,124	\$2,788,585
Net Position as Percent of Revenues	24.6%	28.3%	28.8%	28.4%	32.8%

Regional Residential Bill Comparison

	<u>gallons per month</u>		
	3000	6000	10000
WATER			
New Ulm current	\$ 30.40	\$ 42.75	\$ 61.75
New Ulm 2026	34.89	49.14	72.14
Hutchinson	19.81	28.81	43.69
Marshall	42.69	61.38	88.78
St. Peter	43.20	67.26	99.34
Willmar	39.56	55.85	77.56
WASTEWATER			
New Ulm current	\$ 27.66	\$ 40.32	\$ 57.20
New Ulm 2026	30.84	44.96	63.78
Hutchinson	26.45	41.90	62.50
Marshall	42.55	58.36	79.44
St. Peter	52.95	89.73	138.77
Willmar	52.24	66.68	85.93
COMBINED			
New Ulm current	\$ 58.06	\$ 83.07	\$ 118.95
New Ulm 2026	65.73	94.09	135.91
Hutchinson	46.26	70.71	106.19
Marshall	85.24	119.74	168.22
St. Peter	96.15	156.99	238.11
Willmar	91.80	122.52	163.49

Regional Industrial Water Comparison

<u>INDUSTRIAL WATER</u>	<u>1,500,000 gallons</u>
New Ulm current	\$ 5,046
New Ulm 2026	5,879
Marshall	9,872
St. Peter	13,166
Willmar	5,050

Future Considerations

- **Track Bottom Line**
 - Revenue
 - O&M Expenses
- **Actual Capital Improvement Expenditures**
- **Consideration of Debt Issuances**
- **Keep your eye on the ball regarding required future increases**

Questions/Discussion