

What is the PFP charge, and what costs is it designed to recover?

The PFP charge recovers the cost of water for fighting fires and the extra capacity built into the system necessary to rapidly deliver a large volume of water to a fire anywhere within the municipality's water service area. These costs include a portion of the wells, pumps, storage facilities, water mains, hydrants and an estimated quantity of water used for this purpose.

What are the options for recovering fire protection costs?

The municipality has three options for recovering the PFP charge.

1. Charges for PFP can be included on the water bills of utility customers (and non-customers) as allowed by Wis. Stat. § 196.03(3)(b). This method is referred to as a direct charge. Advantages to this method are that it does not increase property taxes, tax exempt water customers contribute to the system, and charges do not count against the municipality's levy limit. Disadvantages include the fact that the PFP charge cannot be deducted on individuals' income taxes, and the amount of the charge to a particular customer is not strictly related to the benefit received.
2. The municipality can pay the PFP charge and recover it through property taxes. This is referred to as a municipal charge. Advantages of this method are that the water bill is smaller, the PFP is deductible on individual income taxes, and all properties except those that are tax exempt pay for the PFP. While the charge is paid proportionate to benefits received, the PFP charge counts towards the municipality's levy limit.
3. The municipality can elect to pay a portion of the PFP charge with the balance being made up through direct charges to customers.

How are direct PFP charges calculated?

In 1988, Wis. Stat. § 196.03(3)(b) allowed for the direct charge on general service water customer bills or a combination of direct and municipal charges. This Statute also allows the municipality to apply direct charges to noncustomers owning land within the municipality. PSC staff understands this to mean that, if the municipality chooses to apply direct charges to noncustomers, it must apply charges to all land, improved or unimproved, located within the municipality. This rate is not applicable to land declared by the municipality as unbuildable. The PSC has preapproved eight methods for calculating direct charges for PFP. Of those eight methods the four most commonly used methods are described below. Utilities may propose alternative methods for calculating direct charges subject to PSC review. Note: Wisconsin Stat. § 196.03(3)(b)2 does not apply to property owned by the state. The exclusive mechanism for recovery of charges for PFP from the state is through Wis. Stat. § 70.119.

1. Equivalent Meters Method - Based on ratios of meter size

- Simple to administer
- Not perfectly equitable

2. Equivalent Services Method - Based on ratios of meter size, but uses different ratios

- Simple to administer
- Not perfectly equitable
- Compared to the equivalent meters method this method results in relatively higher charges to small meters and lower charges to large meters

3. Property Values Method - Based on property value

- Equitable; charges closely reflect benefits received
- Provides continuity for utilities moving the PFP charge from municipal charge to direct charges
- Property value data may not be readily available to the utility

4. Square Feet of Improvements Method - Based on square feet of improvements

- Equitable; charges reflect benefits received
- Some continuity with municipal charge
- The data may not be readily available to the utility

What is a municipal PFP charge?

- Prior to 1988, all municipalities recovered the PFP charge through the tax levy. This approach is known as a municipal charge. About 60% of Wisconsin utilities recover the PFP charge through the tax levy, while the remaining water utilities recover at least some or all of their PFP costs through direct charges placed on water utility bills.