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Water rate increase: How much will it cost you?

You may have heard that the South Milwaukee Water Utility has requested that the Wisconsin Public Service Commission authorize an increase of 52% in overall revenues. If the PSC grants this increase, customers may see an increase of approximately **\$8.00 to \$10.00 per month on their water bills**. How the PSC arrives at applying the increase is to be determined, and the increase to individual customers will vary with water usage.

You can learn more about the effect of the rate increase on the average water user later in this letter, but first it's important to provide residents some background on how we got to this point. There are a number of reasons behind the rate increase, including:

- Mandated plant improvements;
- Declines in industrial water use; and
- Improved conservation efforts (low flow appliances, toilets, washing machines, shower heads) resulting in declining residential water use.

The plant upgrades were a significant contributor – but also a necessary one.

In September of 2005, the Water Utility Commission presented the South Milwaukee Common Council a plan for the future of the utility's filtration plant, a plan to protect the health of our customers and to improve water quality using the best available technology.

The utility was at a crossroads due to Wisconsin Department of Natural Resources mandates. The utility had to either make significant upgrades to the existing treatment plant or convert to a different type of filtration system. Ultimately, the utility chose to convert the existing plant to an ultra filtration membrane plant. The \$9 million project began in 2008 and was completed in late 2009. The newer technology provides a more effective barrier against *Cryptosporidium* and *Giardia* and is more reliable and efficient than older filtration methods.

The end result is a water filtration plant that is safer, more automated, more efficient and more cost-effective than the previous South Milwaukee facility and many others in the region. The new facilities are working well, and our water quality is improved.

Of course, this also costs money, and the Common Council approved the plan with the understanding of a future rate increase. The down economy has only served to drive that increase higher. South Milwaukee began to feel the effects of the struggling economy just when the upgraded facilities were placed into operation, and we began to realize that many of our heavy water users (industry and manufacturing), as well as many smaller users, had cut back on water consumption. Today, water consumption is running approximately 20% less than projections. This, in turn, impacts Water Utility revenues.

The Effect of the Rate Increase

Still, it is important to put the pending water rate increase in some perspective.

The PSC calculates residential comparables based on an average usage of 100 ccf or 75,000 gallons per year basis. However, in South Milwaukee most customers do not use 100 ccf per

year. Our billing records indicate average annual use is 70 ccf, or 52,500 gallons per year. With that in mind, the calculations are as follows:

Current rate:

Rate X usage	70 x 1.82=	\$127.40
Add fixed fee	3 x 17.32=	<u>\$51.96</u>
Total annual cost		\$179.36 or \$14.95 per month

With a 52% increase:

Rate X usage	70 x 2.76=	\$193.20
Add fixed fee	3 x 26.32=	<u>\$78.96</u>
Total annual cost		\$272.16 or \$22.78 per month, increase of \$7.73/month

Please visit the Wisconsin Public Service Commissions website psc.wi.gov for more information regarding water rates. And please do not hesitate to contact the Water Utility for your average annual use and with any questions, comments or concerns you may have about the rate increase.

We look forward to your call and appreciate your understanding.

414-768-8070

Water at your service
www.ci.south-milwaukee.wi.us