

Mo Hansen

From: Kemna, Stephen - PSC <Stephen.Kemna@wisconsin.gov>
Sent: Tuesday, June 16, 2015 3:53 PM
To: Mo Hansen
Cc: jrjcpa@wi.rr.com
Subject: Cambridge Municipal Water Utility (Docket 920-WR-103) - PSC Rate Proposal
Attachments: 920-WR-103 PSC Staff Proposal.pdf; X-1 Water Utility Operating Rules.pdf

Mo:

The PSC has completed the proposed rate design for your water rate case with a 5.00% rate of return. The overall rate increase is 28%. The average residential customer who uses 3,000 gallons per month will see their water bill increase from \$24.15 per month to \$32.00 per month (33% increase).

This rate increase is due to 5 years of inflation, 12% increase in O&M expenses, and 8% increase in utility plant since your last rate case was completed in 2010. The increase in utility plant includes \$410,000 in new utility financed mains, services, meters and hydrants installed in 2014.

Please note that the public fire protection charge that the Village pays the water utility increases by 14%, from \$137,164 per year to \$155,871 per year. At the same time, the property tax equivalent that the water utility pays the Village has increased from \$93,089 per year to \$100,461 per year. The net impact on the Village's budget is a net decrease of \$11,335 per year (see table below). I realize that this may be a hardship to the Village, but I did everything that I could reasonably do to lower the increase of the public fire protection charge. In the past it was easy to shift all or a portion of the public fire protection charge to the water customers. Recently the state legislature made this more difficult to do. In order to shift all or a portion of the public fire protection charge to the water customers the Village would have to lower its levy limit or hold a referendum.

| Cambridge Public Fire Protection Charge and Tax Equivalent | | | |
|--|------------|----------------|--------------------------|
| | Municipal | Tax Equivalent | Impact to Village Budget |
| Existing Rates | \$ 137,164 | \$ 93,089 | \$ (44,075) |
| Proposed Rates | \$ 155,871 | \$ 100,461 | \$ (55,410) |
| Difference | \$ 18,707 | \$ 7,372 | \$ (11,335) |

Please look over the attached documents:

- 1) The "920-WR-103 PSC Staff Proposal" containing schedules showing the proposed revenue requirement, cost of service study, and the new rate design.
- 2) A copy of the standard "X-1 Water Utility Operating Rules".

Please let me know if the rates look acceptable.

Let me know by early next week if any of the following dates/times will work for the telephonic hearing (you will need a speaker phone for the hearing):

Tuesday, July 14, at 11:00 am, 1:00, 2:00, or 3:00 pm

Wednesday, July 15, 1:00, 2:00, or 3:00 pm

Thursday, July 16, 10:00 am, 11:00 am, or 1:00 pm

The hearing is held over the phone at our offices and at the Cambridge Amundsen Community Center. The Administrative Law Judge will swear in you or your consultant to affirm the accuracy of the application and customer notice (I will provide later). Then he will swear me in to affirm the accuracy of the rate proposal. Then he will allow the general public to provide comments (one at a time).

Thank you,

Steve Kemna, PE
Public Service Engineer
Public Service Commission of Wisconsin
Division of Water, Compliance & Consumer Affairs
610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854
Phone: (608) 266-3768
Fax: (608) 266-3957
Email: Stephen.Kemna@wisconsin.gov