

Village seeks 28% water rate hike

Written by Mark Jaeger

Wednesday, 17 February 2010 19:11

With reduced customer use, officials ask PSC to OK increase

It was with more than a little uneasiness that Village of Saukville officials agreed this week to ask the Public Service Commission to approve a 28% water rate hike.

The request was approved Monday by the village's Finance Committee, but not without some reservations, according to Village President Barb Dickmann.

"Everyone knows these are tough times and it is very difficult to OK seeking a 28% increase. It is an increase I will be feeling, like everyone else in the village," Dickmann said.

"We have invested a lot of money into our water system, and it would not be prudent to neglect what is a quality system. The problem is we have seen a major drop off in water usage, because of the economy."

Without the same volume of water use, a greater share of the cost of maintaining the water system has to be passed along to customers, Dickmann said.

"Still, asking for a 28% increase put butterflies in my stomach. No one wanted to do this," she said.

Dickmann said the village is one of the first communities to request a major rate increase in the current slumping economy.

"We have been told that means our rate review will be at or near the top of the pile, and we could receive word in about a month," she said.

If the rate increase is supported by the PSC, the new charges would appear on July water bills.

The basis for the increase request was a water rate case review prepared by the village's accountants, Schenck Business Solutions.

The key economic factor in justifying the increase, according to the study, is that operating revenues were down approximately \$40,000 last year.

Since 2007, water revenues in the village are off \$117,000. Projections show that drop continuing until the economy improves.

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To compensate for the lost revenue, the utility reduced its operating expenses by approximately \$24,000 last year.

“However, it is unlikely the utility could further reduce their operating expenses,” the report summarized.

The utility’s debt-to-equity ratio is approximately 100%, far higher than the state average of 32% for communities of similar size, the report said.

According to the analysis, the water utility operated at less than half of its authorized rate of return last year, 3.26%. The state allows the utility a return of 6.8%.

To bring that rate of return back to its authorized level, the accounting report said the utility would need to increase revenues by \$261,000, for the 28% rate hike.

“Based on projected operating revenues and expenses for 2010, we anticipate the utility will continue to see their cash reserves decreasing without a rate increase,” the study concluded.

Village water rates were increased 3% in October 2009 and October 2008, but those were not subject to PSC review. The proposed increase is subject to a full rate review.

For a household that uses an average of 20,000 gallons of water a quarter, the increase would mean an additional \$22.34 out of pocket.

Users at that quarterly level now pay \$59.91 for water, \$128.79 for sewer service and \$28.20 for fire protection.

If the new rate is approved as requested, the quarterly bill would be \$76.61 for water, \$128.79 for sewer and \$33.84 for fire protection.

Even at the new rate, Dickmann said, the village would be in the middle of what municipalities charge for water.

Saukville’s water rates would be higher than those in Grafton, Fredonia and Belgium, but lower than in Port Washington and Mequon, according to figures provided by the PSC.

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If the rate hike is approved, Dickmann said, a public backlash may be inevitable.

“I suspect we will hear from people, but it is something we had to request for the greater good of the community,” she said.

In conjunction with the rate review, the Utility Committee asked whether money could be saved by switching village billing from quarterly to monthly.

Because the more frequently billing cycles would require additional staff, the analysis showed the switch would cost the utility an additional \$23,000.

“With our current staff already working with frozen wages, it made no sense to be talking about adding a person to make the switch,” said Dickmann.

The Finance Committee voted 7-1 against monthly billing.