

March 19, 2019

The South Milwaukee Water Utility has filed an application with the Public Service Commission of Wisconsin (PSC) to increase water rates. The increase is necessary due to a Department of Natural Resources mandate that required the utility to bring its clearwells up to code and a 35.33% increase in operating expenses since the last water rate case was completed in 2010.

The South Milwaukee Water Utility has seen a lot of questions come through regarding the new water rate increase, so we have prepared some frequently asked questions.

1) With the 41% increase, what will this increase fund?

The new increase will fund the new above ground clearwells and pumping station project, as well as increase our regular operating expenses (35.33%). The water utility has experienced increased costs since the last full rate increase (2010).

2) Who sets the rates for South Milwaukee Water Utility?

The South Milwaukee Water Utility, like all water utilities in Wisconsin, is regulated by the Public Service Commission (PSC) of Wisconsin. The PSC determines water rates as well as approves any required or desired major construction projects. To help ensure that the state's water utilities have sufficient financial capacity to provide public health and safety, the PSC establishes and approves rates and monitors utilities' financial sufficiency. The rate-setting process typically addresses multiple objectives, including cost recovery, affordability, economic development, resource sustainability, and other community-specific factors.

3) Why are the clearwells and pumping station being replaced?

In 2008, the Wisconsin Department of Natural Resources (DNR) mandated the current clearwells (underground holding tanks for finished water) at the Utility be replaced within 10 years due to concerns for potential contamination. This mandate coincided with the conversion from conventional treatment to membrane filtration so that the Utility would have a barrier for cryptosporidium.

4) How does our "new" rate compare to our neighboring communities?

While it is difficult to do a direct comparison because of multiple factors (including population, treatment process, source water, customer base and age of plant), South Milwaukee water rates will now be higher than our neighboring communities. In comparison to other utilities with similar usage (such as Two Rivers), South Milwaukee water rates are lower.

5) Will our neighboring communities need to do similar upgrades too?

Those communities who do not currently use advanced treatment processes like South Milwaukee Water Utility may be mandated in the future to do upgrades.

6) Could we add a private well instead of using the city's water utility services?

No. Currently, DNR regulations preclude digging of new private wells in South Milwaukee due to availability of municipal water service.

7) Could we combine our services with MMSD?

MMSD provides sewer service, not water service.

8) Why don't the citizens of South Milwaukee get to vote on the increase like a referendum?

In Wisconsin, water rates are set by the Public Service Commission of Wisconsin (PSC).

9) Why didn't the South Milwaukee Water Utility "plan ahead" and save up for the upgrade?

By PSC rule, utilities generally are not allowed to set aside funds for future projects. Each year, the Utility assesses qualification for a simplified rate increase (3%). The most recent rate increase was allowed and assessed in 2013.

10) How will the new increases be phased in? Gradually? Or all at once?

It will be increased in two steps. The first step (18% or approximately \$5 per month) will occur upon approval by PSC and second step (23% or approximately \$7 per month) once current construction project completed.

11) Why is there a charge on my water/sewer bill for 'Public Fire Service'?

We currently direct bill our customers on their water/sewer bill for public fire. Per the PSC: a public fire protection (PFP) charge is designed to recoup the cost of building and maintaining a water system's capacity to provide high pressures and flows to hydrants in the water system for the purpose of fire suppression. Depending on the system, the PFP charge pays for a portion of the cost of wells, pumps, storage facilities, water mains, and hydrants, associated with delivering water required for fire suppression purposes. It is important to note that the PFP charge is not simply a "hydrant rental" fee.

12) Part of our rate increase attributed to a decline in water usage. Why does South Milwaukee have such a decline?

South Milwaukee has seen significant declines in water usage in recent decades, from 772,859,000 gallons in 1997 to 479,914,000 gallons in 2017. This is primarily due to a reduction in water usage by large manufacturers. At one point, the South Milwaukee's largest consumer of water was Caterpillar (formerly Bucyrus International). Today, our largest water consumer is the Southtowne Apartments. This reduction in consumption is, unfortunately, a direct correlation to the increase in costs of service and finished product, our water.

It is understandable to compare our rates to our neighboring communities, but each community is different in its water consumption rates and user types. For example, Cudahy has 3,000 fewer residents than South Milwaukee but sells twice as much water annually, driven by two large industrial companies. Selling that much more water to their community (even industrial customers) helps to keep their costs of operation stable or lower

Any questions regarding the upcoming water rate increase should be directed to the

South Milwaukee Water Utility at 414-768-8070