

Internal Monitoring Report

Policy #: O-2D Affordability

Monitoring Frequency: Annual

Date: June 26, 2012

I certify that the following information is true.

Signed  _____, General Manager

Policy Language:

Madison Water Utility customers will pay an affordable rate for water, recognizing that this affects investment in infrastructure and water quality improvements.

Accordingly,

1. Water rates will be between the 25th and 75th percentile for Class AB utilities (those serving 4,000 customers or more) in Wisconsin.
2. Water rates will complement economic growth in Madison.

General Manager's interpretation and its justification:

1. "Water rates" in this context means the average residential bill. To make an apples-to-apples comparison, a quarterly billing frequency is used across the board, and the consumption is assumed to be 16,500 gallons per quarter, which matches Madison's consumption. Non residential water rates cannot be compared on apples-to-apples basis due to differences in rate structures (class vs. non-class rates, different declining blocks, etc.) The question of non-residential water rates relates to No. 2 below. The PSC set all class rates based on cost of service for that particular class (residential, commercial, industrial, and public authority).

2. Water rates likely do not play a large role in private sector economic development decisions except in the potential case of water intensive industries. This will be confirmed and monitored through coordination with the City's planning and economic development staff.

Data directly addressing the General Manager's interpretation:

1. As the attached data show, Madison's average residential water bill (if we billed quarterly) would be \$59.70. This is below the median Class AB water utility bill of \$64.46 (Beaver Dam).

2. Feedback from the City's Department of Planning & Community & Economic Development indicates that the cost of water has not come up as a concern for any development, though large users would be sensitive to any future changes in supply and/or rates. Our ability to provide high quality water service is viewed as an advantage.

I report compliance.

Attachment:

Residential Bill Comparison