

Madison Water Utility customers will pay an affordable rate for water, recognizing that this affects investment in infrastructure and water quality improvements. The Water Utility must ensure the long-term maintenance and repair of water supply infrastructure to maintain highest levels of service as specified in other policies. The Utility should accomplish this at a pace of infrastructure investment that allows for reasonable annual rate hikes for consumers. The Utility will recognize that City residents may be satisfied with a gradual improvement in water quality and water quantity (or pressure) and that many residents desire stability in cost of living expenses. Water Utility customers, in advocating for service improvements in their neighborhoods, will recognize the limitations placed on the Utility by complying with this policy.

The Utility should balance these two interests by:

1. Maximize the return on rate base consumption (Page F-23 of the Annual PSC report). This sets a reasonable return on investment as determined by an outside party (the PSC). The allowable return is comparable to that of other publicly and privately owned utilities in Wisconsin. By maximizing this return, the Utility will have income necessary and reasonable for re-investing in system improvements.
- 1.2. Develop and apply a measure of annualized rate increases and limit such increases for residential customers to XX percent or less per year. The Utility shall recognize that forgoing a rate increase in any year does not justify a subsequent rate increase that exceeds the XX percent annual cap.

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. Annual rate increases will be limited to XX% or less, defined as _____.

3. 2. Water rates will complement economic growth in Madison.