



Memorandum / Staff report:

To: Water and Sewer Board
From: Robert Scott, Director of Finance and Administration
CC: Mayor Ponto
Date: August 2, 2023
Topic: Water utility simplified rate adjustment application

The Public Service Commission (PSC) offers a Simplified Rate Case (SRC) application process to all water utilities that meet certain criteria. This process allows a utility to increase rates periodically (no more than annually) to keep up with inflation without doing a conventional rate case that requires a cost-of-service study and a public hearing. For 2023, the PSC has determined the rate increase factor to be 8% for utilities having a rate of return (net operating income / average net rate base) of 6.5% or less and that have filed for a conventional rate case within the last five years.

With the filing of the 2022 annual PSC financial report, the Brookfield Water Utility finished the year with a 3.65% rate of return compared to the 4.9% rate of return the Utility was authorized in the last conventional rate case that was effective in 2019. As such, the Utility qualifies to implement a SRC adjustment at any time up until the due date to file the 2023 PSC report in March 2024. In developing the 2023 budget, water revenues did not assume any SRC adjustment, as the 2022 SRC was only effective starting with the 4th quarter 2022 billing cycle (September 1).

Staff is requesting authorization from the Water and Sewer Board to file the simplified rate application for water rates to be effective January 1, 2024 (impact would first be seen on first quarter 2024 utility bills issued in late March 2024 and due in April 2024). This increase is necessary to reduce the existing deficiency in present rates, and to mitigate the impact of future conventional rate case adjustments. Although the Water Utility typically adds 200 new customers per year, actual water sales have been flat or declining as more efficient appliances become available and customers have curtailed outside water usage. The effect of the increase for selected customer classes is shown below; overall annual revenues are anticipated to increase by \$450,000. Rates for public fire protection (hydrant rental) and wholesale water customers outside the City limits would also increase 8 percent.

Customer Classification	Meter Size	Gallons	Quarterly Bill at Existing Rate	Quarterly Bill at Revised Rate
Average Residential	3/4"	16,000	\$80.19	\$86.61
Large Residential	1"	20,000	\$106.12	\$114.61
Commercial	1"	85,000	\$346.97	\$374.73
Multi-family	2"	100,000	\$462.11	\$499.08
Public Authority	1 1/2"	220,000	\$581.67	\$628.20
Industrial	3"	120,000	\$872.03	\$941.79

If you have any questions in advance of the Board meeting, please contact me.