

January 8, 2007

To The Honorable
The Common Council
Milwaukee, Wisconsin

Dear Council Members:

SUBJECT: Substitute Resolution Relating to the Preliminary Findings of the
Public Service Commission of Wisconsin Relative to a Water Rate
Increase

Please accept this request to schedule the "Substitute resolution relating to the preliminary findings of the Public Service Commission of Wisconsin relative to a water rate increase" for the next meeting of the Public Works Committee. A title-only request was previously submitted. The remaining materials for the file (the text of the resolution and the fiscal note) are enclosed with this letter.

When Common Council granted the Milwaukee Water Works permission to apply to the Public Service Commission of Wisconsin for this rate increase, we assured the Common Council that we would return for Council input prior to the rate tariff being finalized. We are at that point in the rate setting process.

Based on their audit, the PSC has determined the revenue requirement for a 3.3% rate of return to the Milwaukee Water Works. An increase to customers of approximately 6% on sales of water is necessary to achieve this rate of return. These projected increases are consistent with what we indicated to the Common Council during our discussions about the rate case last year.

The next step in the process is for the Milwaukee Water Works to reply to the PSC either confirming or requesting modification to the 3.3% rate of return and associated revenue requirement. Once the City has replied regarding the revenue requirement, the PSC will continue with their cost of service study, will develop the rate schedule, and will hold a public hearing on their findings. The rate schedule will be binding on the City.

Page 2
January 8, 2007
Common Council

The Milwaukee Water Works recommends that the revenue requirement be

accepted as presented by the Public Service Commission of Wisconsin. The rate of return, while modest, will allow the Milwaukee Water Works to continue to provide the current level of service, high quality water, and investment in infrastructure. In addition, the City will maintain its competitive rate position, which supports our customers' ability-to-pay.

We will continue to keep you informed as this process continues. Please do not hesitate to contact Carrie Lewis, Water Works Superintendent, at extension 2801 if you have any questions or concerns about this matter.

Very truly yours,

Carrie M. Lewis
Water Works Superintendent
Milwaukee Water Works

Jeffrey J. Mantes
Commissioner of Public Works
Department of Public Works

JJM:CML:mw b

Attachment

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