



# Water Utility Rates

November 22, 2021

# Safety and Reliability

The primary goal of the water utility is to deliver safe drinking water and to operate a reliable well maintained system.

This is a **PROACTIVE** action. There are no issues with the system or the safety of the water, but we need to increase rates in order to maintain our current level of service.

Costs keep increasing, but Madison has not increased rates in over 10 years.

## The Progress

Essex Fells closes two more wells

By KATHY SHWIFF Editor Oct 24, 2021 0

# Financial Impact

2021 Financial estimates for water utility performance has been fair, but we can't continue to fund the current capital program unless we increase revenue and implement a rate increase.

This water rate increase will help Madison maintain our AAA bond rating.

Schedule of Estimated Water Utility Sales and Performance (in 000's)					
Line		2018 Actual	2019 Actual	2020 Actual	2021 Estimate
<b>REVENUES</b>					
w 1	Tariff Collections	\$2,495	\$2,476	\$2,604	\$2,350
w 1.5	Water Surplus used to fund capital			\$1,172	\$0
w 2	Miscellaneous Revenue	\$215	\$479	\$104	\$50
w 3	Cancellation of PY Appropriations	\$398	\$428	\$541	\$439
<b>EXPENSES</b>					
w 4	Operations	(\$1,804)	(\$1,851)	(\$1,949)	(\$1,999)
w 5	Capital Improvement	(\$900)	(\$900)	(\$1,900)	(\$900)
w 6	Estimated Surplus	\$404	\$632	\$572	(\$60)
<b>Schedule of Water Utility Surplus Balances (in 000's)</b>					
Line		2018 Actual	2019 Rev Est	2020 Actual	2021 Estimate
w 7	Balance at Beginning of Year	\$1,298	\$1,502	\$1,934	\$1,033
w 8	Less: Utilized to Fund Capital/Budget			(\$1,173)	(\$249)
w 8	Less: Utilized in Municipal Budget	(\$200)	(\$200)	(\$300)	(\$375)
w 9	Sub Total (Free Balance)	\$1,098	\$1,302	\$461	\$409
w 10	Add: Generated in Current Year	\$404	\$632	\$572	(\$60)
w 11	Balance at Year End	\$1,502	\$1,934	\$1,033	\$349

# Water Utility Rate Comparison

Madison has some of the lowest water rates in the area.

The annual bill for a customer with a ¾” line that consumes 2,000 cubic feet of water per quarter. This is a typical amount for a family of four in a home that does not have lawn sprinklers.

## Annual Water Bill

Town / Company	2020	November 15, 2021
Madison	\$248.76	\$248.76
American Water: Serving Chatham Township, Summit, Bernardsville, New Providence, Milburn, Mendham, Maplewood etc	\$668.66	\$745.47
Suez Water: Bergen, Hudson Counties	\$550.78	\$550.78
AQUA: Sussex, Warren and Hunterdon Counties	\$683.12	\$683.12
Southeast Morris County MUA: Morristown, Morris Township, Morris Plains, Hanover.	\$387.44	\$454.88 Proposed new rates effective January 2022
Chatham Borough	\$352.80	\$352.80
Florham Park	\$466.64	\$488.20

\* LAST WATER RATE INCREASE: Florham Park has an annual COLA adjuster. SMCMUA January 1, 2020 and they are proposing\* new rates for 2022. Chatham Borough April 2015. **Madison January 2011.** 2,000 cubic feet per quarter = 14,961 gallons per quarter or about 166 gallons per day.

# Water Utility Rate Comparison

Administration is requesting an initial 10% increase in water rates effective April 1, 2022.

Even with this increase, Madison would still have the lowest rates in the area.

## Annual Water Bill

Town / Company	2019/20	2022
Madison	\$248.76	(\$273.64 with new rate)
American Water: Serving Chatham Township, Summit, Bernardsville, New Providence, Milburn, Mendham, Maplewood etc.	\$668.66	\$745.47
Suez Water: Bergen, Hudson Counties	\$550.78	\$550.78
AQUA: Sussex, Warren and Hunterdon Counties	\$683.12	\$683.12
Southeast Morris County MUA: Morristown, Morris Township, Morris Plains, Hanover.	\$387.44	\$454.88*
Chatham Borough	\$352.80	\$352.80
Florham Park	\$466.64	\$488.20

Southeast Morris County MUA announced their intention to raise their 2022 rates to \$454.88.

NOTICE OF PROPOSED INCREASE IN SERVICE CHARGES AND PUBLIC HEARING

SCHEDULE NO. 1  
GENERAL METERED SERVICE

Applicable to the use of water supplied through meters in the territory serviced by the Authority. The total of a customer’s bill for a billing period includes consumption plus the facilities charges.

CONSUMPTION CHARGE

RESIDENTIAL RATE  
(BILLED QUARTERLY)

<u>Quantity Used Quarterly (CCF)</u>	<u>EXISTING</u>	<u>PROPOSED</u>	<u>RATE (per 100 Cubic Feet)</u>		<b>Madison Current Rates</b>
			<u>EXISTING</u>	<u>PROPOSED</u>	
Conservation Rate	0-30	0-30	\$3.672	\$4.002	<b>\$3.03</b>
High Usage Rate	31-60	31-60	\$5.506	\$6.002	<b>\$3.49</b>
Incentive Rate	61 & Over	61 & Over	\$7.343	\$8.004	<b>\$3.49</b>

# Interesting Fact. Consumption Varies Greatly

The table below shows annual consumption in cubic feet for select Madison homes. As a reminder, \$248.76 is an current annual bill for a Madison customer with 8,000cf consumption per year. The **green highlighted** customers have irrigation or large gardens. The bottom two lines show the annual bill that three of the customers paid Madison at our current rates and what they would pay SMCMUA with their proposed 2022 rates. SMCMUA customers that use significant water get charged accordingly. One of the customers below is using over 2,000 gallons of water every day during the summer.

	2 Adults	Family of 6	1 Adult	Family of 5	Family of 5
	953	3,400	657	9,400	9,900
	815	2,900	400	9,900	13,600
	529	2,600	400	2,100	3,700
	578	2,300	500	3,600	4,600
	2,875	11,200	1,957	25,000	31,800
	2 Adults	Family of 6	1 Adult	2 Adults	Family
	1,649	3,808	600	26,300	17,300
	3,983	3,615	600	24,700	8,660
	1,478	3,426	675	1,800	7,319
	1,703	3,300	625	1,900	8,962
	8,813	14,149	2,500	54,700	42,241
<b>Madison</b>	<b>\$274.48</b>			<b>\$1,870.81</b>	<b>\$1,431.81</b>
<b>SMCMUA</b>	<b>\$507.08</b>			<b>\$3,984.79</b>	<b>\$2,755.61</b>

# Administration Request and Justification

In order to maintain the Water System and continue to offer high quality water, Administration is requesting a 10% increase effective April 1, 2022 and an additional 10% increase in 2023. We are also asking for an annual cost of living adjustment starting on January 1, 2024.

## Additional Thoughts

- Madison pumps and delivers over 3 million gallons of water on a single summer day. **That is over 650 gallons per customer per day.**
- Water is a precious commodity that needs to be conserved. The low price impedes conservation.
- 50 years ago, the water bubbled up from the ground out of our wells. Now the water table at our wells is 40 feet below the surface. The Buried Valley Aquifer needs to be preserved.
- Even with this increase, Madison will have the lowest rates in the area.
- Property Owners can choose to pay less by conserving water.
- Additional water revenue can reduce financial stress on the municipal budget allowing for more moderate tax increases in future years, and the continuation of the financial assistance programs (dividend and targeted rebates) for Madison Electric Utility customers.