

CITY OF SOUTH HAVEN

July 2009 Utility Rate Changes

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July 2009 Utility Rate Changes

The City of South Haven is a thriving community of which we can all be proud. It is important that we continue to move forward making improvements to meet the needs of this growing community. One of those improvements includes the construction of a new water filtration plant to serve the increasing residential and commercial population. A very careful review of 39 contractor proposals led City Council to choose the best and least expensive option for the plant replacement. Not only will a new plant address increasing water needs, but the City is proactively working on upgrades to water and electric and is in the planning stages for sewer upgrades. All of these improvements will result in a more comfortable environment for residents. The following explains the utility rate changes which will assist in supporting the improvements.

The utility rate changes taking effect on July 1, 2009 will raise the water bill for a residential customer using 1,000 cubic feet per month with a 5/8" meter by \$8.71 per month. For a City of South Haven water customer this represents a 29% increase in the monthly water bill. Two thirds of this increase (\$5.90) is due to the Water Plant Replacement fee being increased to cover the cost of borrowing to build the water filtration plant. Approximately \$1.50 of the monthly increase will be used to cover the cost of water tower repainting. The balance of the increase is an inflationary increase to cover the cost of operations.

The July 2009 rate changes will raise the sewer bill for a residential customer using 1,000 cubic feet per month with a 5/8" meter by \$2.76 per month. For a City of South Haven sewer customer this represents a 6.8% increase in the monthly sewer bill. Half of the increase is to cover the cost of a sewer system study and lift station improvements. The balance of the increase is an inflationary increase to cover the cost of operations.

The electric rate changes taking effect in July 2009 will raise the cost of a residential customer using 1,000 kilowatt hours (KWH) per month by \$9.95 per month. This is a 12% increase from current rates. The electric rate changes are designed to cover only the increased cost of Purchased Power from American Electric Power. The electric rate increase does not include any increase for operations.

The total change in a utility bill from the City of South Haven will vary depending on where a customer lives and what utilities are provided by the City of South Haven. Geneva Township customers are electric only customers. Covert Township customers have only water service. Customers in Casco Township are typically water and sewer customers. Customers in South Haven Township and the City of South Haven may be water, sewer and electric customers.



City of South Haven Utility Charge Descriptions

Water Plant Availability Charge – This is a one-time charge paid by all new water customers at the time they connect to the water system. It is based on the Residential Equivalent Units (REUs) of the new connection. All of the funds collected are being set aside for payment of debt associated with the construction of the new filtration plant. This charge will be \$4,000 per REU effective July 1, 2009.

Water Usage – This is the charge for metered water usage. The City of South Haven bills water in units of cubic feet. One cubic foot is approximately 7.5 gallons. The revenues from water usage help fund the operations of the Water Utility.

Water Capital Replacement – This is a fixed charge placed on all metered water accounts. The revenues from the Capital Replacement charges are used to pay expenses which are a benefit to the entire water system such as upgrades to the water plant, new pumps, water tower painting, etc.

Water Plant Replacement – This is a fixed charge placed on all metered water accounts. The revenues from the Water Plant Replacement charges are used to pay the bonds issued to construct the new water treatment plant.

Water Ready to Serve – This is a fixed charge placed on all metered water accounts. The Ready to Serve charge helps offset expenses the water utility incurs whether water is being used or not.

Water Cap Imp – City – Water Capital Improvement City - This is a fixed charge placed on all metered water accounts within the South Haven City limits. This charge is used to offset capital expenses which benefit only the City of South Haven water system.

Township Water Debt – This is a fixed charge the City of South Haven collects on behalf of the South Haven/Casco Township Sewer and Water Authority from water customers in Casco and South Haven Townships. Questions regarding this charge should be directed to your township hall.

Resi Sewer Usage – Residential Sewer Usage - This charge is based on metered water usage. The City of South Haven bills sewer in units of cubic feet. One cubic foot is approximately 7.5 gallons. The revenues from sewer usage help fund the operations of the Sewer Utility.

Sewer Usage - This is charge for sewer usage for non-residential accounts. The revenues from sewer usage help fund the operations of the Sewer Utility.

Sewer Capital Replacement – This is a fixed charge placed on all sewer accounts. The revenues from the Capital Replacement charges are used to pay for improvements and /or upgrades which are a benefit to the entire sewer system such as upgrades to the sewer plant, lift station upgrades, portable generators, etc.



City of South Haven Utility Charge Descriptions, Con't.

Sewer Ready to Serve – This is a fixed charge placed on all sewer accounts. The Ready to Serve charge helps offset expenses the sewer utility incurs whether the sanitary sewer system is being used or not.

Sewer Debt Service – This is a fixed charge placed on all sewer accounts within the South Haven City limits. The revenues from the Sewer Debt Service charge is used to cover a portion of the cost of the bonds issued in 2003 for the St. Joe project.

Sewer Cap Imp – City – Sewer Capital Improvement City - This is a fixed charge placed on all sewer accounts within the South Haven City limits. This charge is used to offset capital expenses which benefit only the City of South Haven sewer system.

Township Sewer Debt – This is a fixed charge the City of South Haven collects on behalf of the South Haven/Casco Township Sewer and Water Authority from sewer customers in Casco and South Haven Townships. Questions regarding this charge should be directed to your township hall.

Electric Usage - This is the charge for metered electric usage. The City of South Haven bills electricity in units of kilowatt hours (KWH). The revenues from electric usage help fund the operations of the Electric Utility.

Electric Ready to Serve – This is a fixed charge placed on residential and commercial electric accounts. The Ready to Serve charge helps offset expenses the electric utility incurs whether electricity is being used or not.

Comm Power Electric – Commercial Power Electric - This is the charge for metered electric usage by large commercial and industrial customers. The rate class has a lower per KWH charge but has higher fixed Demand Charges. The revenues from Commercial Power Electric usage help fund the operations of the Electric Utility.

Demand - Demand Charge – This is a charge on bills for Commercial and Industrial Customers with demand meters. The Demand Charge is based on the highest metered electric usage during the month. The Demand Charge helps offset the Demand Charges the City of South Haven receives from AEP.

Fuel Adjustment – This charge is a pass through of fees American Electric Power (AEP) charges to cover fluctuations in costs of fuel (usually coal and nuclear) used to generate electricity.

Sales Tax – This is the tax the State of Michigan charges on electric sales.

Residential Utility Bill Comparison

Monthly Usage in Cu. Ft.	1000
Current Water Rate per 100 Cu. Ft.	1.63
Proposed Water Rate per 100 Cu. Ft.	1.89
Current Sewer Rate per 100 Cu. Ft.	2.26
Proposed Sewer Rate per 100 Cu. Ft.	2.47
Water Meter Size	5/8"
Monthly Electric Usage - KWH	1,000
Current Rate per KWH	0.081
Proposed Rate per KWH	0.090

<u>City Customers</u>	<u>Current</u>	<u>Proposed</u>	<u>Change</u>	<u>Percent Change</u>
Water Usage	16.30	18.90	2.60	15.95%
Water Capital Replacement	1.50	1.55	0.05	3.33%
Water Ready-To-Serve	4.48	4.64	0.16	3.57%
Water Capital Improvement	2.22	2.22	-	0.00%
Water Plant Debt Service	5.90	11.80	5.90	100.00%
Sewer Usage	22.60	24.70	2.10	9.29%
Sewer Capital Replacement	1.94	2.09	0.15	7.73%
Sewer Ready-To-Serve	6.35	6.86	0.51	8.03%
Sewer Debt Service	4.80	4.80	-	0.00%
Sewer Capital Improvement	5.00	5.00	-	0.00%
Electric Usage	81.00	90.00	9.00	11.11%
Basic Electric Charge	4.30	5.25	0.95	22.09%
Total Utility Bill	156.39	177.81	\$ 21.42	13.70%
Total Water Bill	30.40	39.11	8.71	28.65%
Total Sewer Bill	40.69	43.45	2.76	6.78%
Total Electric Bill	85.30	95.25	9.95	11.66%

<u>South Haven Township</u>	<u>Current</u>	<u>Proposed</u>	<u>Change</u>	<u>Percent Change</u>
Water Usage	16.30	18.90	2.60	15.95%
Water Capital Replacement	1.50	1.55	0.05	3.33%
Water Ready-To-Serve	4.48	4.64	0.16	3.57%
Water Plant Debt Service	5.90	11.80	5.90	100.00%
Water Authority Debt Service	13.00	13.00	-	0.00%
Sewer Usage	22.60	24.70	2.10	9.29%
Sewer Capital Replacement	1.94	2.09	0.15	7.73%
Sewer Ready-To-Serve	6.35	6.86	0.51	8.03%
Sewer Authority Debt Service	18.00	18.00	-	0.00%
Electric Usage	81.00	90.00	9.00	11.11%
Basic Electric Charge	4.30	5.25	0.95	22.09%
Total Utility Bill	175.37	196.79	\$ 21.42	12.21%
Total Water Bill	41.18	49.89	8.71	21.15%
Total Sewer Bill	48.89	51.65	2.76	5.65%
Total Electric Bill	85.30	95.25	9.95	11.66%

<u>Casco Township</u>	<u>Current</u>	<u>Proposed</u>	<u>Change</u>	<u>Percent Change</u>
Water Usage	16.30	18.90	2.60	15.95%
Water Capital Replacement	1.50	1.55	0.05	3.33%
Water Ready-To-Serve	4.48	4.64	0.16	3.57%
Water Plant Debt Service	5.90	11.80	5.90	100.00%
Water Authority Debt Service	24.00	24.00	-	0.00%
Sewer Usage	22.60	24.70	2.10	9.29%
Sewer Capital Replacement	1.94	2.09	0.15	7.73%
Sewer Ready-To-Serve	6.35	6.86	0.51	8.03%
Sewer Authority Debt Service	36.00	36.00	-	0.00%
Total Utility Bill	119.07	130.54	\$ 11.47	9.63%
Total Water Bill	52.18	60.89	8.71	16.69%
Total Sewer Bill	66.89	69.65	2.76	4.13%

<u>Covert Township</u>	<u>Current</u>	<u>Proposed</u>	<u>Change</u>	<u>Percent Change</u>
Water Usage	16.30	18.90	2.60	15.95%
Water Capital Replacement	1.50	1.55	0.05	3.33%
Water Ready-To-Serve	4.48	4.64	0.16	3.57%
Water Plant Debt Service	5.90	11.80	5.90	100.00%
Total Covert Utility Bill	28.18	36.89	\$ 8.71	30.91%

<u>Geneva Township</u>	<u>Current</u>	<u>Proposed</u>	<u>Change</u>	<u>Percent Change</u>
Electric Usage	81.00	90.00	9.00	11.11%
Basic Electric Charge	4.30	5.25	0.95	22.09%
Total Utility Bill	85.30	95.25	\$ 9.95	11.66%