



DES MOINES WATER WORKS
Board of Water Works Trustees

Agenda Item No. III-D
Meeting Date: October 24, 2017
Chairperson's Signature Yes No

AGENDA ITEM FORM

SUBJECT: Approval of Proposed 2018 Water Rates

SUMMARY:

At the September Finance and Audit Committee meeting we discussed proposed water rate increases for 2018.

We recommend a 7% increase for most customers. We recommend a 5% increase in the Wholesale With Storage rate. We recommend no rate increase in the PCRWD#1 and Berwick service areas. We recommend no increases in water availability charges. The attached memo includes a table which details all rates and the proposed increases.

FISCAL IMPACT:

The recommended rate increases will result in approximately \$2,600,000 of increased water revenue for 2018.

RECOMMENDED ACTION:

Approve the proposed rate increases according to the attached memo to be effective for all water bills issued on or after April 1, 2018 and direct staff to publish the adopted rates as provided by law.

BOARD REQUIRED ACTION:

Motion to approve the proposed rate increases according to the attached memo to be effective for all water bills issued on or after April 1, 2018 and direct staff to publish the adopted rates as provided by law.

<p>_____/_____ Peggy Freese, CPA (date) Chief Financial Officer</p>	<p>_____/_____ (date)</p>	<p>_____/_____ William G. Stowe (date) CEO and General Manager</p>
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Attachments: memo

MEMORANDUM

DATE: October 16, 2017
TO: William Stowe, CEO and General Manager
FROM: Peggy Freese, CFO
SUBJECT: Approval of Proposed 2018 Water Rates

At the September Finance and Audit Committee meeting we discussed proposed 2018 water rates. In that discussion, we emphasized several points:

- In the 2016 Cost of Service Study, total costs increased 1%.
- In the three-year period from 2013 to 2016, O&M cost increases averaged 5% per year. We expect operating and maintenance costs will continue to increase.
- In the three-year period from 2013 to 2016, capital replacement cost increases averaged 3%. We have an ongoing and increasing need to reinvest in our infrastructure.

We recommend a 7% increase for most retail and wholesale customers. We recommend a 5% increase in the Wholesale With Storage rate. We recommend no rate increase in the PCRWD#1 and Berwick service areas. We recommend no increases in water availability charges.

We have discussed the proposed increases with both our wholesale and our full service customers.

Pages 2-3 contain a schedule which shows 2016 costs per 1,000 gallons, 2016 rates, 2017 (current) rates, and rates proposed for 2018.

**Des Moines Water Works
Proposed 2018 Water Rates**

	2016 COS Cost Per 1,000 Gallons	2016 Rate/1,000 Gallons	2017 Rate/1,000 Gallons	Proposed 2018 Rate/1,000 Gallons	Increase	Percent Increase
Des Moines Inside City						
Residential (Step 1)	\$3.90	\$3.74	\$4.11	\$4.40	\$0.29	7%
Commercial (Step 2)	2.58	2.51	2.76	2.95	0.19	7%
Industrial (Step 3)	1.98	1.93	2.12	2.27	0.15	7%
Wholesale						
Purchased Capacity	\$1.72	\$1.68	\$1.85	\$1.98	\$0.13	7%
With Storage	3.49	3.66	3.84	4.03	0.19	5%
Off Peak		1.89	2.08	2.23	0.15	7%
Des Moines Outside City						
Residential (Step 1)	\$4.37	\$4.06	\$4.47	\$4.78	\$0.31	7%
Commercial (Step 2)	2.92	3.05	3.36	3.60	0.24	7%
Industrial (Step 3)	2.08	2.18	2.40	2.57	0.17	7%
Polk County						
Residential (Step 1)	\$6.00	\$7.36	\$8.10	\$8.67	\$0.57	7%
Commercial (Step 2)	3.34	4.51	4.96	5.31	0.35	7%
Industrial (Step 3)	3.04	3.52	3.87	4.14	0.27	7%
Capital Improvement Fee		1.50	1.50	1.50	-	-
Pleasant Hill						
Residential (Step 1)	\$6.09	\$6.85	\$7.54	\$8.07	\$0.53	7%
Commercial (Step 2)	5.57	5.78	6.36	6.81	0.45	7%
Outside City	-	10.28	11.31	12.11	0.80	7%
Windsor Heights						
Capital Improvement Fee		2.00	2.00	2.00	-	-
PCRWD #1	\$3.29	\$4.00	\$4.00	\$4.00	-	-
Berwick	\$4.02	\$4.00	\$4.00	\$4.00	-	-
Runnells						
Water	\$5.15	\$6.50	\$7.15	\$7.65	\$0.50	7%
Waste Water	8.23	7.05	7.76	8.30	0.54	7%
Alleman	\$8.23	\$7.25	\$8.34	\$8.92	\$0.58	7%
Cumming	\$4.06	\$6.39	\$7.03	\$7.52	\$0.49	7%

	2016 COS Cost Per 1,000 Gallons	2016 Rate/1,000 Gallons	2017 Rate/1,000 Gallons	Proposed 2018 Rate/1,000 Gallons	Increase	Percent Increase
Warren County						
Step 1	\$12.52	\$13.79	\$15.17	\$16.23	\$1.06	7%
Step 2	10.42	10.13	11.14	11.92	0.78	7%