

**MEMORANDUM**

**DATE:** August 1, 2016

**TO:** William Stowe, CEO and General Manager

**FROM:** Amy Kahler, Director of Customer Service and Marketing

**SUBJECT:** Water Rate Comparison

With the completion of the 2015 Cost of Service study, staff will recommend rate increases for approval at the October board meeting. As a consideration for this discussion, a comparison of utility water rates, both in the Des Moines metro and for peers throughout the country, is offered on the attached pages.

Des Moines Water Works has two primary components to its rate structure:

1. Volume charge – a charge per thousand gallons consumed
2. Availability – a flat monthly charge based on meter size, intended to cover fixed costs and customer related costs that do not vary by consumption (e.g., customer service, billing, meter, etc.). The availability fee is charged even when there is no consumption.

Not all utilities have the same rate structure. For example, some utilities only have a volume charge, while others have both a volume and availability charge, and yet others have a minimum bill where the minimum fixed fee includes an allotment of water consumption. Additionally, some utilities have different rates for different tiers of consumption (e.g., \$4.00 for the first 1,500 gallons, and \$2.50 for every thousand gallons thereafter).

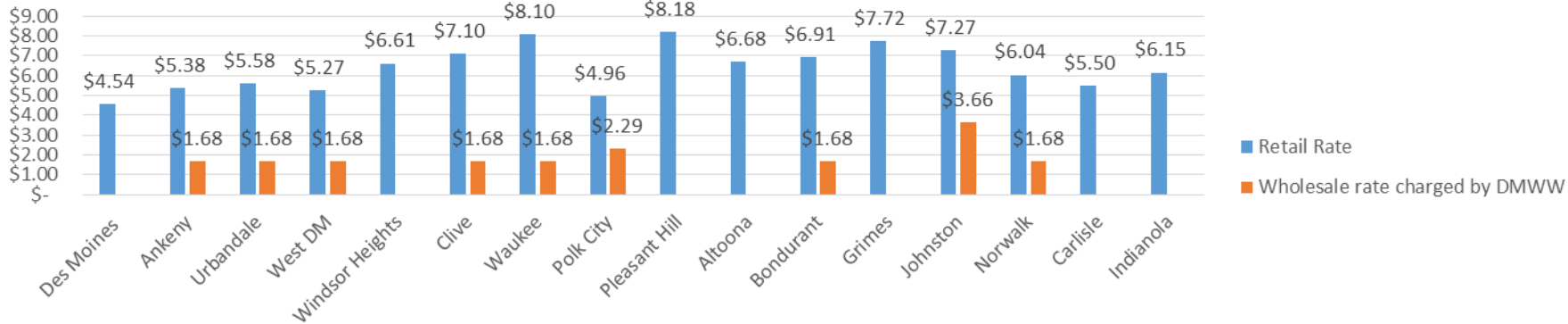
Because rate structures are as diverse as the utilities who develop them, the attachments illustrate water rates as an “equivalent rate.” This equivalent rate will not be found on each utility’s website or in published materials; rather it calculates each entity’s charges for an assumed monthly consumption, assumed to be 7,500 gallons in the attachments, and divides that over the assumed consumption. In this way, volume rates, availability rates, and different rate tiers are shown uniformly “apples to apples.” Note that as the consumption assumption changes, so too will the equivalent rate for each entity. Consumption of 7,500 gallons is shown for illustrative purposes because it is widely considered to be a good average for a family of four, and is a commonly used average in the water industry.

*Attachments:*

*Effective Water Rate per Thousand Gallons, July 2016, Des Moines Metro*  
*Effective Water Rate per Thousand Gallons, July 2016, National Peers*

**Effective Water Rate per Thousand Gallons  
(includes volume & availability rate assuming 7,500 gallons)  
July 2016**

**Des Moines Metro**



**Effective Water Rate per Thousand Gallons  
(includes volume & availability rate assuming 7,500 gallons)  
July 2016**

**National Peers**

