

MEMORANDUM

DATE: October 2, 2018
TO: William Stowe, CEO and General Manager
FROM: Peggy Freese, CFO
SUBJECT: Proposed 2019 Water Rates

At the September Finance and Audit Committee meeting, we had a preliminary discussion about 2019 water rates to solicit Committee input before making a final recommendation.

Prior to that discussion, Tom Beckley from Raftelis Financial Consultants made a presentation to the Committee on their work developing a new cost of service model. Raftelis has recommended that we modify our rate design to include a factor that reflects the peaking demands customers place on the system. There are several ways that could be done and a variety of factors to consider in formulating different rates. We will continue to work with Raftelis in 2019 on evaluating options to determine what makes sense for us.

As we continue to assess our rate structure, we believe it is appropriate to continue our recent practice of across the board rates increases. We recommend a 7% increase for all retail and wholesale customers. We recommend no increase in the Capital Improvement Fee for Polk County and Windsor Heights. We also do not recommend any increase in water availability charges.

Attached is a chart showing the 2018 rates, the proposed 2019 rates and the amount of increase for each rate.

**DES MOINES WATER WORKS
PROPOSED 2019 RATE INCREASES
(All Rates Are Per 1,000 Gallons)**

	# of Accts	2018 Rate	7% Increase	
			2019 Rate	Inc Amt
Des Moines Inside	67,700			
Residential (Step 1)		\$ 4.40	\$ 4.71	\$ 0.31
Commercial (Step 2)		2.95	3.16	0.21
Industrial (Step 3)		2.27	2.43	0.16
Wholesale	48			
Purchased Capacity		\$ 1.98	\$ 2.12	\$ 0.14
With Storage		4.03	4.31	0.28
Des Moines Outside	1,300			
Residential (Step 1)		\$ 4.78	\$ 5.12	\$ 0.33
Commercial (Step 2)		3.60	3.85	0.25
Industrial (Step 3)		2.57	2.75	0.18
Off Peak		2.23	2.38	0.16
Polk County	7,100			
Residential (Step 1)		\$ 8.67	\$ 9.27	\$ 0.61
Commercial (Step 2)		5.31	5.68	0.37
Industrial (Step 3)		4.14	4.43	0.29
Capital Improvement Fee		1.50	1.50	-
Pleasant Hill	3,200			
Residential (Step 1)		\$ 8.07	\$ 8.63	\$ 0.56
Commercial (Step 2)		6.81	7.28	0.48
Outside City		12.11	12.95	0.84
Windsor Heights	2,100	\$ 4.48	\$ 4.80	\$ 0.31
Capital Improvement Fee		2.00	2.00	-
PCRWD #1	465	\$ 4.00	\$ 4.28	\$ 0.28
Berwick	222	\$ 4.00	\$ 4.28	\$ 0.28
Runnells	184			
Water		\$ 7.65	\$ 8.19	\$ 0.54
Waste Water		8.30	8.88	0.58
Alleman	166	\$ 8.92	\$ 9.55	\$ 0.62
Cumming	144	\$ 7.52	\$ 8.05	\$ 0.53