

(Prepared by/Return to: Amy Kahler, Des Moines Water Works, 2201 George Flagg Parkway, Des Moines, IA 50321, 515-283-8760)

Meeting
CENTRAL IOWA REGIONAL DRINKING WATER COMMISSION
Technical Advisory Committee
Des Moines Water Works Board Room
September 21, 2017
10:00 a.m.

Attendees: Shane Kinsey, Karen Oppelt, Dan Klopfer, Amy Kahler, Dale Acheson, Ken Plager, Merrill Heemstra, Len Murray, Donna Heckman, Vern Willey, Gary Benjamin, Stan Ripperger, Dale Acheson, Bill Stowe, Jim Utter, John Gibson, Tim Royer

DMWW 2016 Cost of Service Study

Peggy Freese, DMWW CFO, presented highlights of the 2016 Cost of Service study.

- Cost of Service is an analysis of costs and costs by customer class. Different service areas have different costs.
- In 2016, costs increased slightly, consumption increased, and costs per thousand gallons decreased.
- Many production costs are fixed and do not respond to demand. There is production maintenance that occurs regardless of consumption. Power and chemical costs are the largest variable production costs.
- Consumption was 15.4 billion gallons (17.1 billion gallons pumped), which was a 7.4% increase over 2015; however, the prior year (2015) was lowest year of consumption since 1999, so the comparisons are skewed a bit in comparing to a low demand year.
- DMWW's experience is that precipitation directly impacts consumption.
- Wholesale customers comprise of 51% of consumption. Inside City DM was 40%. The remaining 9% was total service customers in aggregate.
- O&M costs were 0.22% higher in 2016.
 - Water production costs increased 4.5%.
 - Increase in residual hauling of \$1 million
 - Pipelines costs increased 4.7%.
 - Main breaks increased from 205 in 2015 to 223 in 2016.
 - Customer related costs decreased 4.7%.
 - Administrative costs decreased 6.4%.
 - Workers comp decreased \$220k
 - Flooding costs decreased \$367k
 - Replacement cost depreciation increased 2.9% to \$15.3 million
 - Depreciation is nearly 1/3 of total costs
 - Depreciation is ¼ of costs for wholesale customers

There was discussion about park expenses and the role of the Park Foundation. The Park Foundation is primarily a fundraising body. It was noted park expenses for Water Works Park and Maffitt Park are not the responsibility of the Park Foundation, as parks are considered a water production cost as watershed protection. This approach is consistent with prior cost studies. Water Works Park and Fleur Drive beautification are allocated to all customers.

Costs in 2016 exceeded the 2016 customer rates. Rates implemented April 1, 2017 are largely aligned with projected 2017 costs per thousand gallons. Increased O&M costs are expected going forward.

A rate increase of 7% for most service areas has been recommended to the DMWW Board of Trustees. The With Storage rate is recommended to increase 5%, as costs for this rate class have not increased quite as much.

Ms. Freese shared DMWW has engaged Raftelis Financial Consultants to review the current study and methodology. Raftelis has completed an initial review, and staff is working with Raftelis to determine next steps.

Des Moines Water Works Board Activities for September

Ted Corrigan reviewed the agenda for the September 26th Des Moines Water Works Board of Trustees meeting:

- Request authorization to bid access gate at Crystal Lake
- Request permission to establish a public hearing for
- Water system improvement contract in DM
- Receive and file DMWW's Long Range Plan

Regional Governance Update

Mr. Corrigan provided an update on regional governance. A number of meetings have taken place between board chairs and general managers of the three independent utilities. A framework has been established, which comprise 4 guiding principles: 1) Creation of governing board, 2) Ownership of assets, 3) Rates, and 4) Exclusivity. Mayors of the three cities with water boards have been involved, and recently, mayors of DMWW's largest customers have been included (Waukee, Ankeny, and Johnston). A facilitator, Jason Mumm from FCS Group, has been hired to facilitate ongoing discussions. A public meeting will be held bi-weekly on Wednesday morning at 7:30 a.m. at Urbandale City Hall. The first public meeting was held September 13th, and the next public meeting is scheduled for October 27th.

It was noted this is a different process than suggested by B&V in their earlier study. Monetization of assets is not being considered.

Open

Next Meeting Date

The next meeting is scheduled for October 19, 2017 at Des Moines Water Works.

Meeting adjourned at 10:50 a.m.