

MEMORANDUM

DATE: November 28, 2023
TO: Ted Corrigan, CEO and General Manager
FROM: Amy Kahler, Chief Financial Officer
SUBJECT: DMWW Water Rate Affordability

Background

Over the past decade, the Inside City residential drinking water rate has increased over 75%. Consistent with AWWA and EPA guidance, water affordability, framed by equity and accessibility considerations, are strategic priorities identified in Des Moines Water Works' (DMWW) five-year strategic plan for 2022 - 2026.

DMWW hired Raftelis Financial Consultants (Raftelis) in early summer 2023 to assess the affordability of DMWW's water rates and make recommendations on improvements that would make water more accessible to customers. Raftelis has performed other studies for DMWW, including an evaluation of the utility's Cost of Service study in 2018 and an evaluation of the utility's wholesale rate structure in 2018.

Study Findings

Raftelis has completed their study and has concluded there is not a widespread water affordability problem in DMWW's service areas; however, there are still households with low income who may struggle to pay their water bill.

Raftelis has recommended DMWW consider two approaches to improving the accessibility of water in the Des Moines area:

- 1) Implement a more robust customer assistance program, with one option being to offer utility assistance comparable to the program available to low-income energy customers, known as LIHEAP.
- 2) Adopt an inclining block rate structure for residential customers in which the rate increases as more water is used. Because lower volumes of water would be charged a lower rate than our current Step 1 rate, this approach would result in lower charges for water needed to meet basic household needs.

Attached is Raftelis' report on their assessment of DMWW's water rate affordability. Tom Beckley, Vice President, and Joe Collins, Manager will present their findings at the December 5th Finance & Audit Committee meeting.