

COST OF SERVICE
AND
RATE DESIGN
AT THE
DOWNERS GROVE
SANITARY DISTRICT

IAWA Annual Conference, September 2010

Existing Rate Structure

- Flow
- Monthly service fee – originally intended to fund building service assistance program
- Surcharges
- Taxes
- Connection fees – for capital/expansions

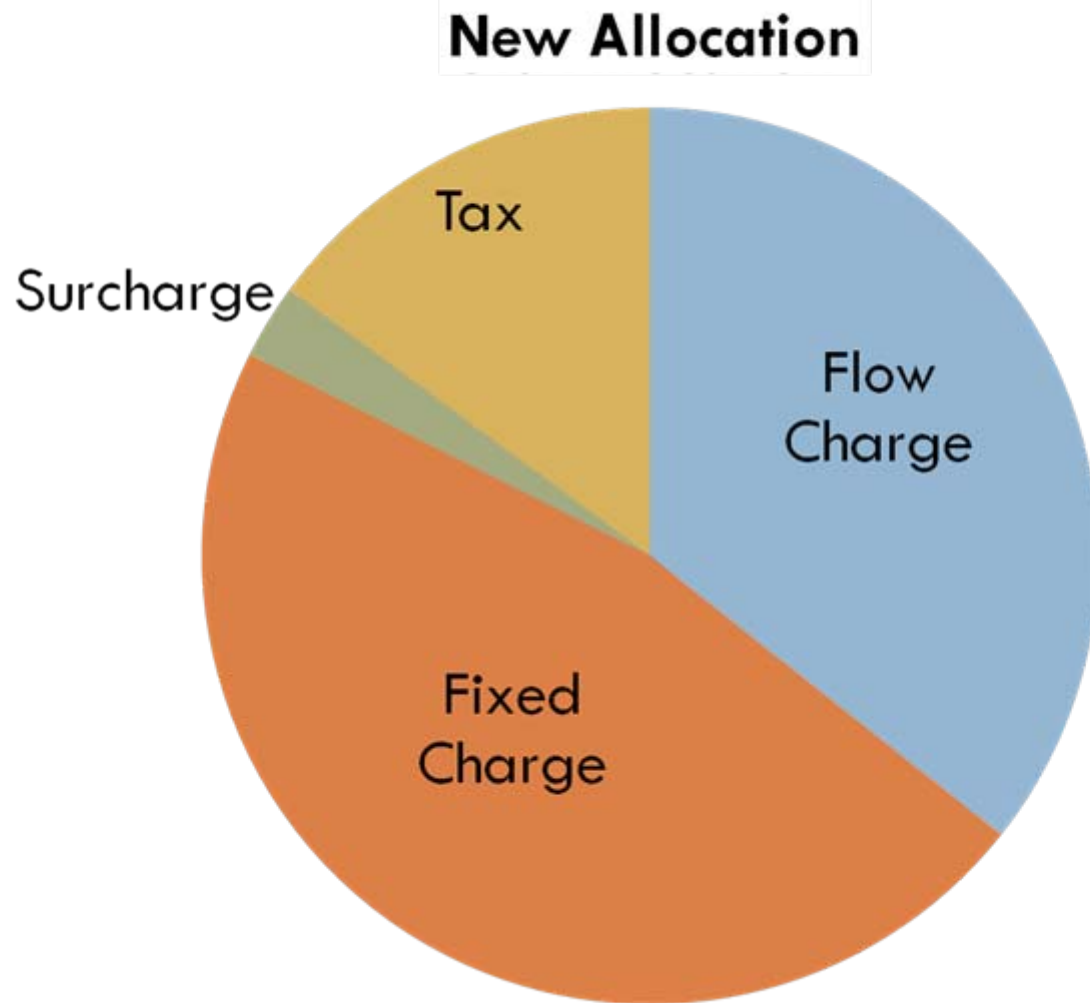
Problems with Existing Structure

- O&M costs vary primarily with rain
- Billable flow goes down when costs go up
- Capital limited to expansions, doesn't account for potential improvements in level of service (ie, nutrient removal)

Cost of Service Update

- Retained BOD, TSS and Flow as service units
- Formally added 'Customer' as service unit
- Attributed I/I flows to 'Customer' parameter

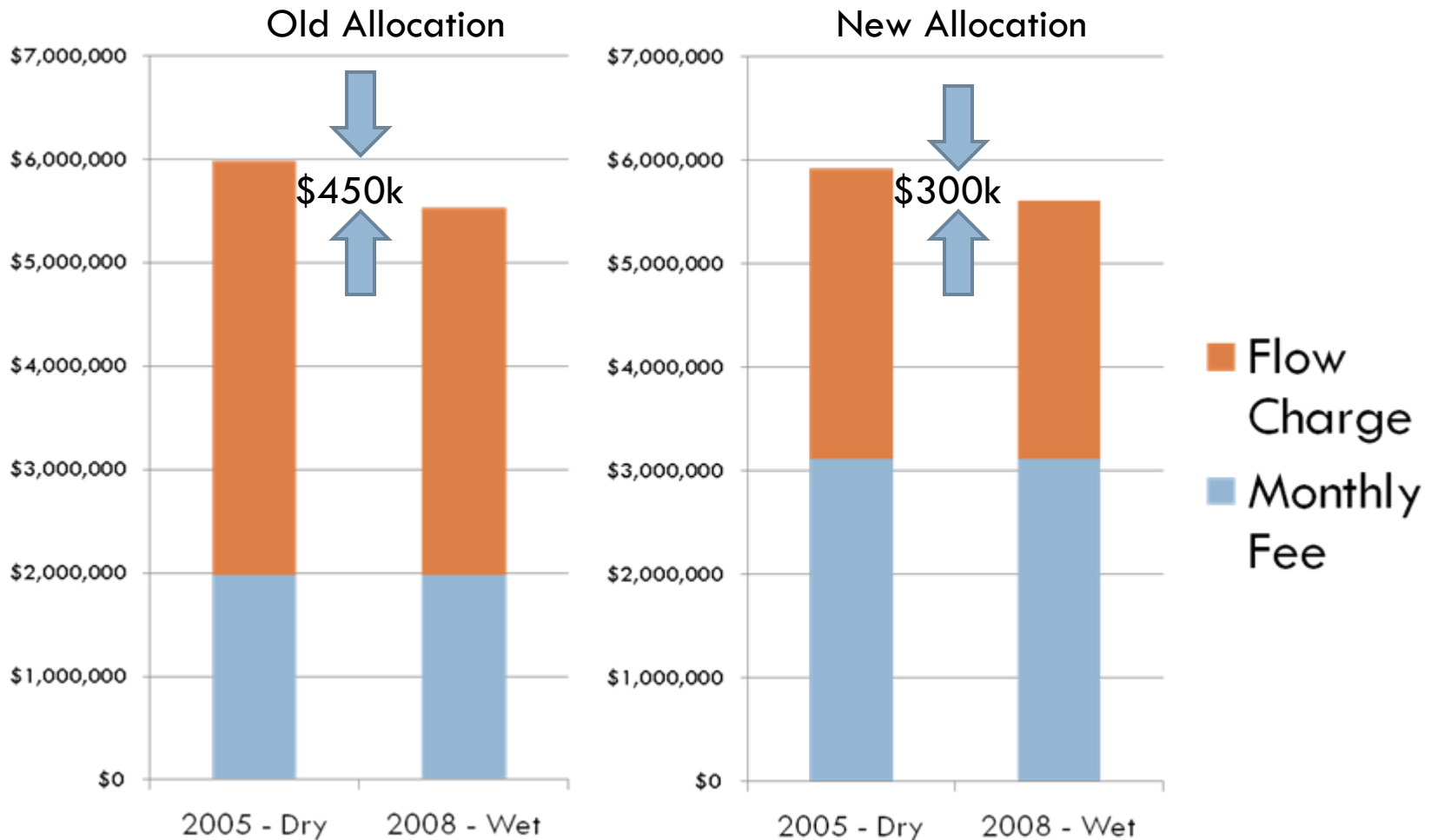
Re-Allocation of I/I



Findings

- Found that 'flow' portion of income changes more than associated costs
- Found that 'fee' portion of income lower than cost to serve each customer
- Can reduce loss of income with more rain and less water use

Dry vs. Wet Year



Future Adjustments

- Continue to match revenue to expense in 5-year plan/annual budget
- When needed, increase monthly fee portion of bill, not flow portion, until rate design reflects updated cost of service model
- No plan yet to fund significant improvements in level of service, beyond capital funds from connection fees – ‘What are connection fees for?’
- Can you include rainfall on your bills?