

**Metropolitan Water Reclamation District of Greater Chicago**

INDUSTRIAL WASTE DIVISION

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**Thomas C. Granato, Ph.D., BCES**  
Director of Monitoring and Research

September 30, 2016

Dear Panel Member,

Subject: Reevaluation of the Effectiveness of the Projected User Charge Rates

On December 15, 2011, the Metropolitan Water Reclamation District of Greater Chicago (District) Board of Commissioners (Board) directed staff to develop a Blue Ribbon Panel (BRP) of User Charge Program stakeholders to undertake a review of the District’s User Charge program. The goals of the BRP were to clarify elements of the User Charge Program, improve User Charge Ordinance administration and compliance, ensure fair assessment of treatment costs, eliminate wide fluctuations of user charge rates from year to year, and simplify user charge rate calculation while meeting legal requirements.

In 2013, the District and members of the BRP arrived at a consensus decision to use a representative average annual increase to adjust the user charge rates over a 10-year period (2014 - 2023) with reevaluation of the effectiveness of the User Charge Program administration every three years to ensure that cost recovery requirements are met and if necessary, adjust the annual rate of increase and user charge rates. The published 2013 rates were used as the base line.

<b>2013 User Charge Rates</b>		
<b>Volume (per million gallons)</b>	<b>BOD (per 1000 pounds)</b>	<b>SS (per 1000 pounds)</b>
\$241.73	\$250.76	\$165.24

The District has completed the first reevaluation of the User Charge Program to determine the effectiveness of the recovery of the Operations Maintenance and Replacement (OM&R) and program administration cost during first two years (2014 and 2015), of the post BRP process. The following annual data is considered for evaluation:

- Costs incurred by the District
- Costs to be recovered by the User Charge Program
- Actual amount recovered by the User Charge Program

In this reevaluation process, the above listed information for 2013 was not considered since the 2013 user charge rates were not generated as per the above listed consensus. Also, information for 2016 could not be included since they are not available until mid-2017. The analysis details are depicted in the Table below. Our analysis revealed the OM&R cost recovery process, via the administration of the User Charge Program with projected user charge rates for 2014 and 2015, yielded user charges that are very close to projected amounts to be collected.

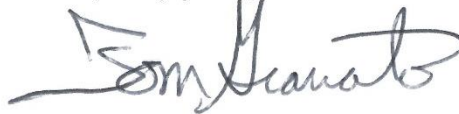
<b>Budget Item Analyzed</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
Gross OM&R Costs	\$435.8M	\$418.3M	
Revenues	\$191.1M	\$197.6M	
Net Costs	\$244.8M	\$220.7M	
User Charge to be Recovered from LCIU and TXE	\$50.1M	\$47.4M	\$97.5M
Actual User Charge Receipts	\$50.7M	\$46.2M	\$96.9M
Difference	\$0.6M	(\$1.2M)	\$(0.6M)

Based on this analysis, the District has recommended no revisions to the projected user charge rates from the BRP process at this time. The projected rates until the next reevaluation in 2019 are as follows:

<b>Year</b>	<b>Volume (per million gallons)</b>	<b>BOD (per thousand pounds)</b>	<b>SS (per thousand pounds)</b>
2017	\$259.61	\$229.13	\$142.47
2018	\$264.28	\$223.03	\$136.48
2019	\$269.04	\$216.64	\$130.38

On September 15, 2016, the District's Board of Commissioners adopted the 2017 user charge rates. If you have any questions regarding this matter, please contact Mr. Mathew Joseph, Assistant Director of Monitoring and Research, at (312) 751-3040 or [JosephM@mwr.org](mailto:JosephM@mwr.org).

Very truly yours,

A handwritten signature in black ink, appearing to read "Tom Granato". The signature is fluid and cursive, with a prominent initial "T" and "G".

Thomas Granato, Ph.D., BCES  
Director  
Monitoring and Research Department