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Metropolitan Water Reclamation District of Greater Chicago

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Edward W. Podczerwinski, P.E.
Director of Monitoring and Research

December 20, 2019

Dear Panel Member,

Subject: Effectiveness Evaluation 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 BRP members 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 District has completed its second reevaluation of the User Charge program to determine the effectiveness of the Operations Maintenance and Replacement (OM&R) and program administration cost recovery during the past three years (2016 through 2018) of the post-BRP process. The following annual data were 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

Our analysis revealed that the OM&R cost recovery process is adequately recovering costs incurred by the District. The Board adopted the 2020 user charge rates on November 7, 2019, and they can be found in Appendix F of the Ordinance on the District's website at <https://mwr-d.org/rules-and-ordinances>.

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During the analysis, the District observed that due to internal efforts to reduce expenses, budgeted costs were lower than actual expenditures during 2016-2018. In addition, Biochemical Oxygen Demand (BOD) loadings reported on the User Charge Annual Certified Statements have been significantly higher than projected for two of the past three years. This resulted in higher than anticipated assessment of user charges for 2016 and 2018. The details of this analysis are depicted in the table below.

Item Analyzed	2014	2015	Three Years Evaluated		
			2016	2017	2018
User Charge to be Recovered from LCIU and TXE Users	\$50.1M	\$47.4M	\$41.0M	\$42.4M	\$45.2M
User Charge Receipts	\$50.7M	\$46.2M	\$49.5M	\$44.2M	\$50.3M
Percent Difference	1%	-3%	21%	4%	11%
BOD (in millions of pounds)	119.9	129.5	138.0	129.5	154.9

Based on these data, the Executive Director has requested the OM&R costs and User reported data trends be further evaluated to determine if these variables will remain volatile, requiring user charge rate modification for 2021 and subsequent years. Once this additional evaluation is concluded, the District will communicate its findings to the BRP members.

If you have any questions regarding this matter, please contact Ms. Jennifer Wasik, Assistant Director of Monitoring and Research, at (312) 751-3040 or WasikJ@mwr.org.

Very truly yours,



Edward W. Podczerwinski
 Director
 Monitoring and Research Department