

# Drainage and Wastewater Fund 2011-12 Rate Proposal



Seattle Public Utilities  
July 2010

# Topics

- Drainage and Wastewater Overview
- Drainage and Wastewater Rates
- Summary of 2011-12 Rate Proposal
- Financial Performance

# Drainage & Wastewater Infrastructure

Wastewater and stormwater comes from...

Toilets  
Sinks  
Showers  
Washing Machines



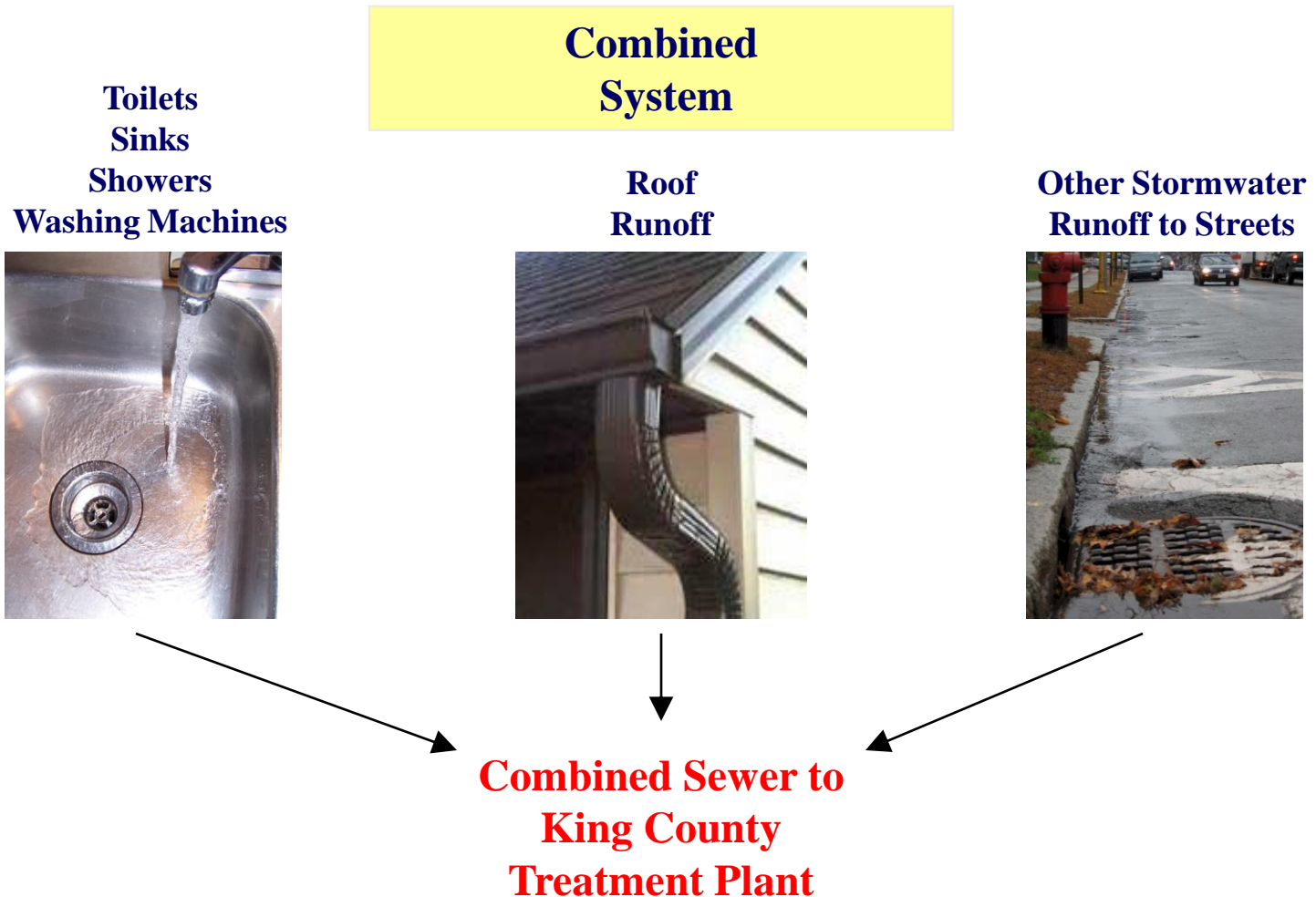
Roof  
Runoff



Other Stormwater  
Runoff to Streets



# Drainage & Wastewater Infrastructure



# Drainage & Wastewater Infrastructure

## Partially Separated System

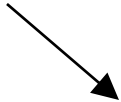
Toilets  
Sinks  
Showers  
Washing Machines



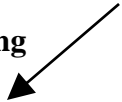
Roof  
Runoff



Other Stormwater  
Runoff to Streets



Existing



New



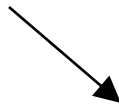
**Sanitary Sewer  
to King County  
Treatment Plant**

**Storm Drain to  
Receiving Water  
Body**

# Drainage & Wastewater Infrastructure

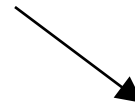
## Fully Separated System

Toilets  
Sinks  
Showers  
Washing Machines



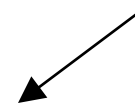
**Sanitary Sewer  
to King County  
Treatment Plant**

Roof  
Runoff



**Storm Drain, Ditch,  
Creeks Infiltrated or to  
Receiving Water Body**

Other Stormwater  
Runoff to Streets



# Drainage & Wastewater Infrastructure



## Fully Separated System

354 total pipe miles

## Partially Separated System

976 total pipe miles

553 combined pipe miles

## Combined System

425 total pipe miles

350 combined pipe miles

# Drainage & Wastewater Customers

	<u>Wastewater</u>	<u>Drainage</u>
Residential	141,907	127,811
Commercial	<u>24,206</u>	<u>48,345</u>
Total	166,113	176,156



# Wastewater Rate Structure

- Residential and Commercial customers pay same rate
- Fee charged per 100 hundred cubic feet of water used  
(Hundred cubic feet = “CCF” = 748 gallons)
- Based on metered water usage with adjustments for water not entering sewer system
  - Residential
    - Winter - based on actual usage
    - Summer - lower of actual summer or average winter use
  - Commercial
    - Actual usage at all times of year
    - Submeters may be installed to measure non-sewer water use

# Drainage Rate Structure

- New drainage rate structure implemented in 2008 to improve rate equity and target a property's contribution to the drainage infrastructure.
- A property may qualify for low impact rates if it has a significant amount of highly pervious surface.
- Stormwater facility credits available beginning in 2009 for customers with qualifying stormwater management systems (e.g. detention vault).

# Drainage Rate Structure

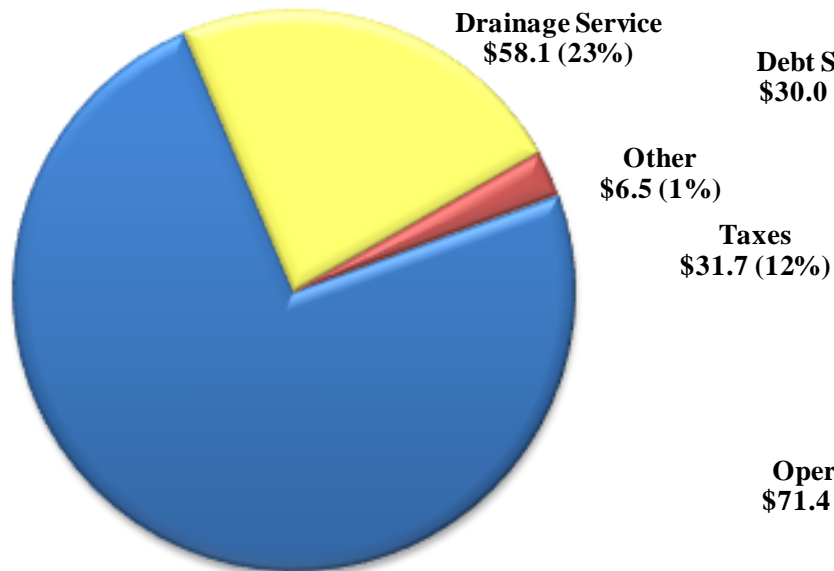
	Previous	Revised (2008)
<b>Residential &lt;10k sq. ft.</b>	All parcels billed same rate per parcel	<b>Four sub-tiers, each with a flat rate per parcel</b>
<b>Residential &gt;=10k sq. ft.</b>		<b>-Five rate classes based on percent impervious</b>
<b>Commercial</b>	<p>-Five rate classes based on percent impervious</p> <p>-Parcels billed based on actual size</p>	<p><b>-Parcels billed based on actual size</b></p> <p><b>-Low impact rate option*</b></p>

\*A parcel with <66% impervious surface may qualify for a low impact rate if it contains a substantial amount of highly permeable surface.

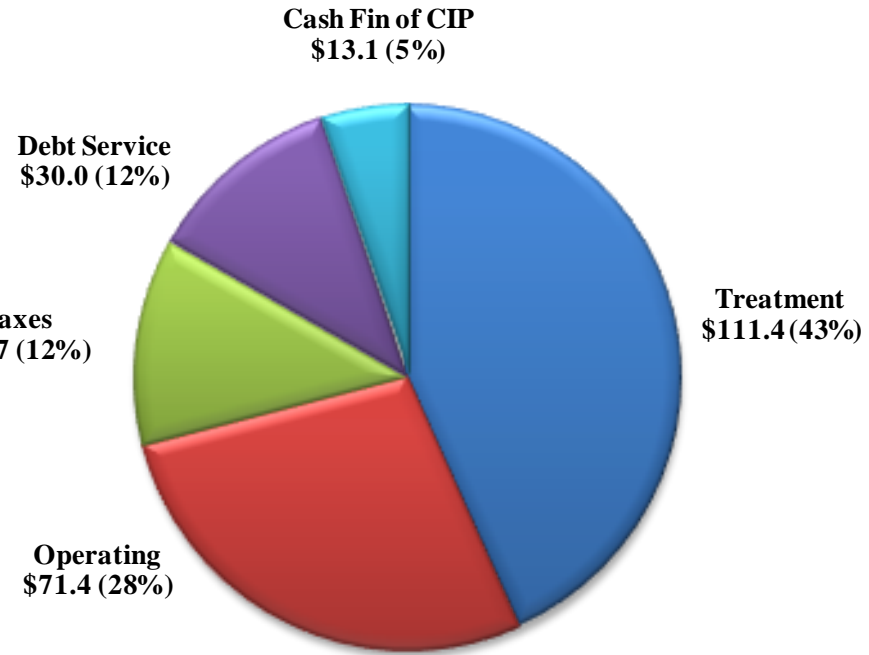
# 2009 DWF Sources and Uses of Revenues

(\$ millions)

### Operating Revenue



### Operating Expense



# Highlights

1. No major proposed changes to rate structure
2. Current proposal for two-year rates for both drainage and wastewater (2011 and 2012).
3. Major rate drivers – CIP, combined system cost shift, O&M and cash requirements.
4. Proposed rates do not include the impact of the passthrough of the approved 2011 King County treatment rate increase from \$31.90 to \$36.10 per REU. The passthrough legislation will be submitted later in 2010.

# DWF Rate Increase

		<u>2010</u>	<u>2011</u>	<u>2012</u>
2010 Original	Wastewater	5.0%	4.4%	4.2%
	Drainage	14.0%	8.8%	14.5%
2010 Executive Proposed (40 CIP Projects eliminated or delayed, \$4.2 O&M cuts)	Wastewater	0.0%		
	Drainage	0.0%		
2010 Council Approved	Wastewater	1.0%		
	Drainage	1.9%		
<b>Current SPU Proposal</b>	<b>Wastewater</b>		<b>4.0%</b>	<b>4.0%</b>
	<b>Drainage</b>		<b>12.5%</b>	<b>10.8%</b>

# DWF Rate Drivers

(\$ millions)

	2011	%	2012	%	2011	%	2012	%
	<u>Wastewater</u>	<u>Rate</u>	<u>Wastewater</u>	<u>Rate</u>	<u>Drainage</u>	<u>Rate</u>	<u>Drainage</u>	<u>Rate</u>
		<u>Increase</u>		<u>Increase</u>		<u>Increase</u>		<u>Increase</u>
Base O&M	\$2.3	1.3%	\$0.6	0.3%	\$1.9	3.2%	\$2.2	3.3%
New O&M	\$0.6	0.3%	\$0.0	0.0%	\$1.5	2.5%	\$0.4	0.6%
Debt service (2011 bond issue)	\$0.2	0.1%	\$1.6	0.8%	\$0.1	0.2%	\$1.3	2.0%
Non-Rates Revenue	\$1.8	1.0%	\$0.6	0.3%	\$0.5	0.8%	\$2.1	3.2%
Cash and other revenue <sup>1</sup>	\$4.6	3.1%	\$6.7	5.0%	\$0.2	0.5%	(\$1.6)	-2.4%
Combined system allocation	(\$3.3)	-1.8%	(\$4.8)	-2.5%	\$3.1	5.3%	\$2.8	4.2%
<b>TOTAL INCREASE</b>	<b>\$6.2</b>	<b>4.0%</b>	<b>\$4.7</b>	<b>4.0%</b>	<b>\$7.4</b>	<b>12.5%</b>	<b>\$7.2</b>	<b>10.8%</b>

1/ Cash and other revenue includes wastewater consumption adjustment.

# Operations and Maintenance Costs

- **Base O&M**
  - 2010 Baseline adjustments
  - Inflation
  - Retirement and Healthcare
- **2011/12 O&M Reductions of \$1.2 million**
- **New O&M (BIPS)**

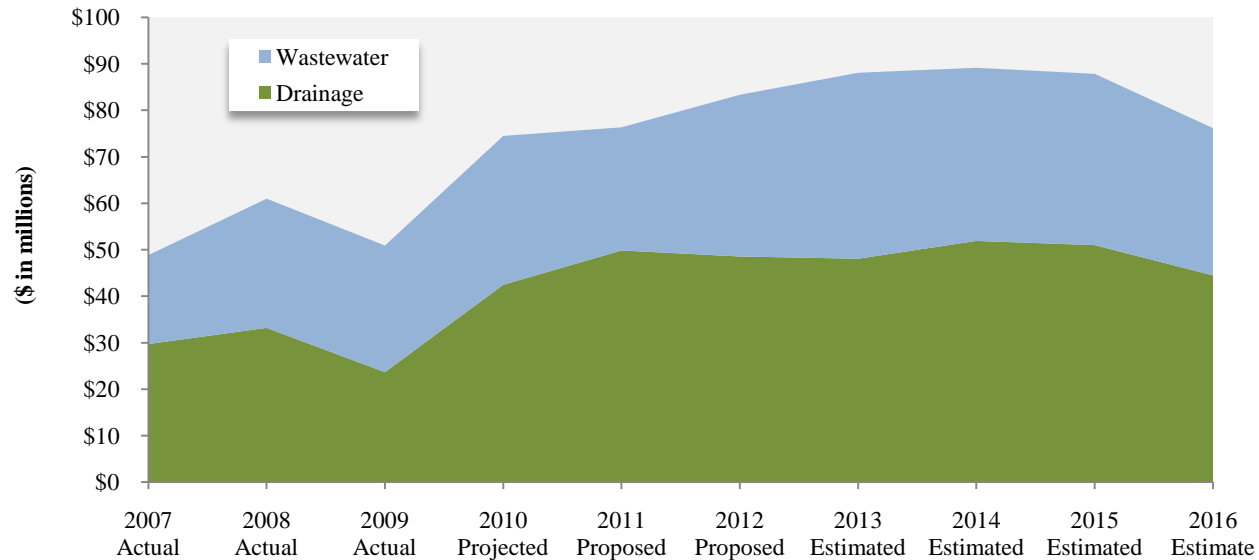
	2011	%	2012	%	2011	%	2012	%
	<u>Wastewater</u>	<u>Rate Increase</u>	<u>Wastewater</u>	<u>Rate Increase</u>	<u>Drainage</u>	<u>Rate Increase</u>	<u>Drainage</u>	<u>Rate Increase</u>
Street Sweeping for Water Quality	-	-	-	-	\$0.7	1.2%	\$0.4	0.6%
WRIA Dues	-	-	-	-	\$0.1	0.2%	\$0.0	0.0%
NPDES	-	-	-	-	\$0.2	0.3%	\$0.0	0.0%
FOG (Fats, Oils, and Grease)	\$0.3	0.2%	\$0.0	0.0%	-	-	-	-
Monitoring for Capacity-At-Risk Areas	\$0.2	0.1%	\$0.0	0.0%	\$0.2	0.3%	\$0.0	0.0%
GF Reduction	(\$0.1)	-0.1%	\$0.0	0.0%	(\$0.1)	-0.2%	\$0.0	0.0%
Additional Claims	\$0.3	0.2%	\$0.0	0.0%	\$0.4	0.7%	\$0.0	0.0%
<b>TOTAL INCREASE</b>	<b>\$0.6</b>	<b>0.3%</b>	<b>\$0.0</b>	<b>0.0%</b>	<b>\$1.5</b>	<b>2.5%</b>	<b>\$0.4</b>	<b>0.6%</b>



# Combined System Cost Allocation

- A portion of costs historically allocated entirely to wastewater is now funded by drainage
- Types of costs
  - CSO Control Projects
  - Combined Pipe in Combined Areas
  - King County Treatment
  - Combined system infrastructure maintenance & planning O&M
- Began phase-in of allocation with 1/6 in 2008 and another 1/6 (for a total of 2/6) in 2009
- Continue allocation with 3/6 in 2011 and 4/6 in 2012

# DWF Annual CIP



## Major CIP Projects:

- Flooding Control and Sanitary Sewer Capacity
- Windermere, Genesee, Henderson CSO
- CSO Long Term Control Plan
- Sewer Pipe Rehabilitation
- Madison Valley Long Term Solution

# Proposed Increases / Typical Monthly Bill

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<b><u>Proposed 2011</u></b>	<u>2011 Change</u>	<b><u>Proposed 2012</u></b>	<u>2012 Change</u>
<b><u>Overall % Increase</u></b>							
Wastewater	4.0%	14.7%	1.0%	<b>4.0%</b>		<b>4.0%</b>	
Drainage	26.2%	12.8%	1.9%	<b>12.5%<sup>1</sup></b>		<b>10.8%</b>	
<b><u>Typical Bill<sup>2</sup></u></b>							
Wastewater	\$40.30	\$46.23	\$46.70	<b>\$48.57</b>	\$1.87	<b>\$50.49</b>	\$1.92
Drainage	<u>\$14.94</u>	<u>\$16.85</u>	<u>\$17.17</u>	<b><u>\$19.37</u></b>	<u>\$2.20</u>	<b><u>\$21.45</u></b>	<u>\$2.08</u>
	\$55.24	\$63.08	\$63.87	<b>\$67.94</b>	\$4.07	<b>\$71.94</b>	\$4.00

<sup>1</sup> Percent represents overall drainage revenue increase. Percent increases will vary by rate group.

<sup>2</sup> Typical wastewater bill based on 5.2 ccf per month. Typical monthly drainage fee based on 1/12<sup>th</sup> of the annual drainage fee for a 5,000-6,999 square foot parcel.

# Wastewater Rate

(Rate per hundred cubic feet)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<b>Proposed <u>2011</u></b>	<b>Proposed <u>2012</u></b>
<b>Treatment Rate (KC)</b>	\$5.22	\$6.03	\$6.03	<b>\$6.01</b>	<b>\$6.00</b>
<b>System Rate (SPU)</b>	<u>\$2.53</u>	<u>\$2.86</u>	<u>\$2.95</u>	<b><u>\$3.33</u></b>	<b><u>\$3.71</u></b>
<b>Total Rate per CCF</b>	\$7.75	\$8.89	\$8.98	<b>\$9.34</b>	<b>\$9.72</b>

Proposed rates do not include the impact of the passthrough of the approved 2011 King County treatment rate increase from \$31.90 to \$36.10 per REU. The passthrough legislation will be submitted later in 2010.

# Annual Drainage Fee Small Residential

(Rate per parcel)

<u>Parcel Size</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Proposed 2011</u>	<u>Proposed 2012</u>
<b>0 - 2999 sq. ft.</b>	\$91.38	\$102.90	\$104.90	<b>\$132.56</b>	<b>\$146.85</b>
<b>3000 - 4999 sq. ft.</b>	\$132.65	\$149.56	\$152.46	<b>\$171.20</b>	<b>\$189.66</b>
<b>5000 - 6999 sq. ft.</b>	\$179.27	\$202.17	\$206.09	<b>\$232.38</b>	<b>\$257.44</b>
<b>7000 - 9999 sq. ft.</b>	\$213.00	\$256.38	\$261.35	<b>\$295.24</b>	<b>\$327.06</b>

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# Annual Drainage Fee Commercial/Large Residential

(Rate per 1,000 square feet)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Proposed 2011</u>	<u>Proposed 2012</u>
<b><u>Undeveloped (0-15% Impervious)</u></b>					
Regular	\$11.21	\$16.85	\$17.18	<b>\$19.54</b>	<b>\$21.64</b>
Low Impact	\$9.09	\$10.19	\$10.39	<b>\$12.24</b>	<b>\$13.56</b>
<b><u>Light (16-35% Impervious)</u></b>					
Regular	\$18.58	\$25.20	\$25.69	<b>\$29.31</b>	<b>\$32.47</b>
Low Impact	\$16.99	\$18.98	\$19.35	<b>\$23.23</b>	<b>\$25.73</b>
<b><u>Medium (36-65% Impervious)</u></b>					
Regular	\$32.83	\$36.61	\$37.32	<b>\$42.42</b>	<b>\$46.99</b>
Low Impact	\$26.63	\$29.70	\$30.28	<b>\$34.06</b>	<b>\$37.73</b>
<b><u>Heavy (66-85% Impervious)</u></b>					
Regular	\$42.52	\$47.34	\$48.26	<b>\$55.93</b>	<b>\$61.96</b>
<b><u>Very Heavy (86-100% Impervious)</u></b>					
Regular	\$50.53	\$56.23	\$57.32	<b>\$66.12</b>	<b>\$73.25</b>

Proposed rates do not include the impact of the passthrough of the approved 2011 King County treatment rate increase from \$31.90 to \$36.10 per REU. The passthrough legislation will be submitted later in 2010.

# Financial Performance

(\$ millions)

Parameter	Policy	2009 Actual	2010 Estimated	2011 Proposed	2012 Proposed
Net Income	Generally Positive	\$6.1	\$5.0	<b>\$9.0</b>	<b>\$11.9</b>
Debt Service Coverage	1.80 times	2.26	2.48	<b>2.68</b>	<b>2.75</b>
Year-End Cash Balance	One month treatment cost	\$23.6	\$12.6	<b>\$9.2</b>	<b>\$9.1</b>
	<i>Target</i>	\$9.3	\$9.3	\$9.2	\$9.1
Cash Financing of CIP	25% minimum (4 yr avg)	25%	25%	<b>25%</b>	<b>25%</b>
Debt to Asset Ratio	<=70%	62%	63%	<b>62%</b>	<b>64%</b>
Variable Rate Debt	<= 15% of total debt	0%	0%	<b>0%</b>	<b>0%</b>