

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



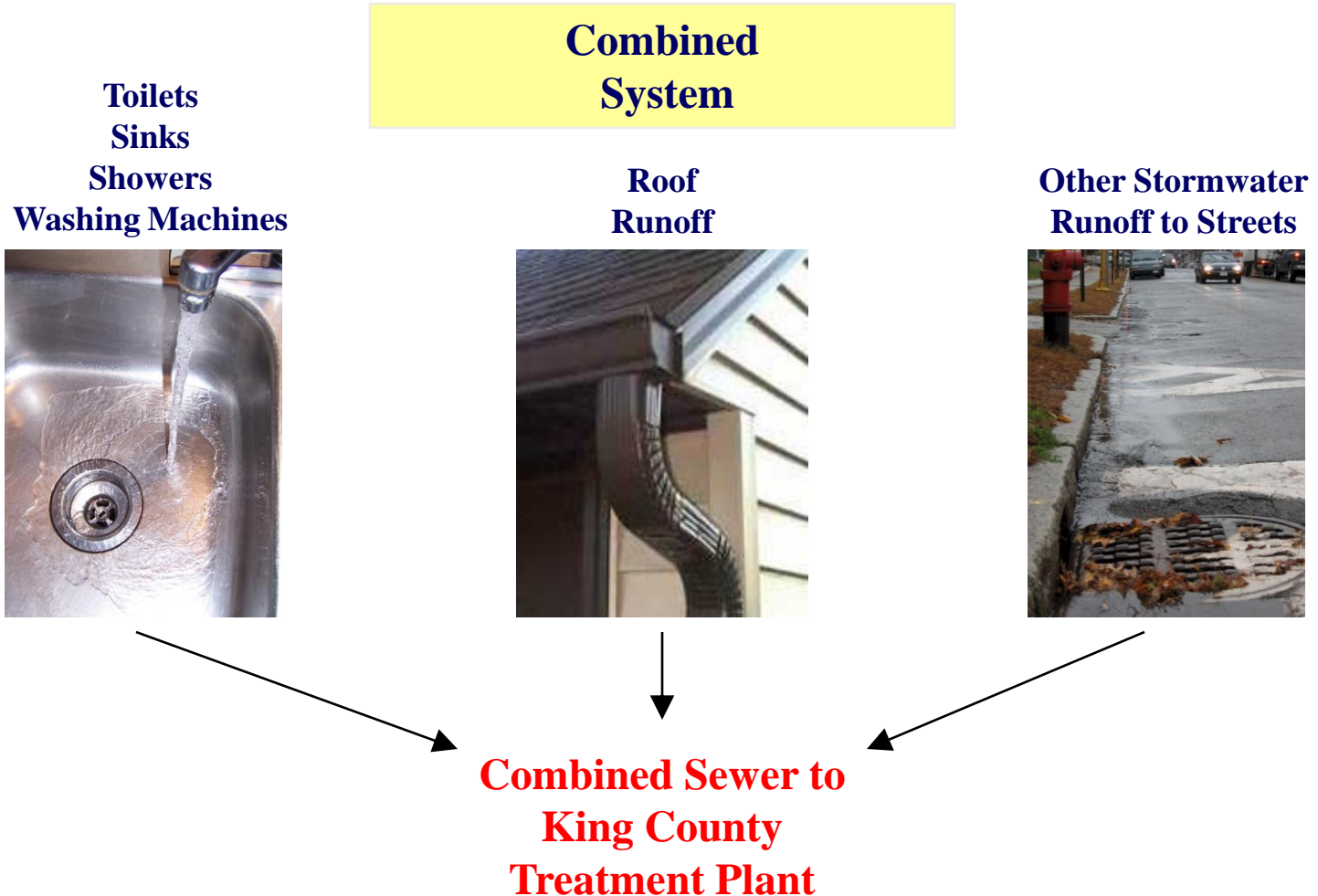
Roof
Runoff



Other Stormwater
Runoff to Streets



Drainage & Wastewater Infrastructure



Drainage & Wastewater Infrastructure

Partially Separated System

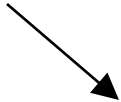
Toilets
Sinks
Showers
Washing Machines



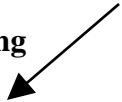
Roof
Runoff



Other Stormwater
Runoff to Streets



Existing



New



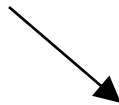
**Sanitary Sewer
to King County
Treatment Plant**

**Storm Drain to
Receiving Water
Body**

Drainage & Wastewater Infrastructure

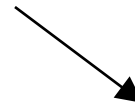
Fully Separated System

Toilets
Sinks
Showers
Washing Machines



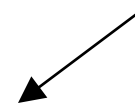
**Sanitary Sewer
to King County
Treatment Plant**

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

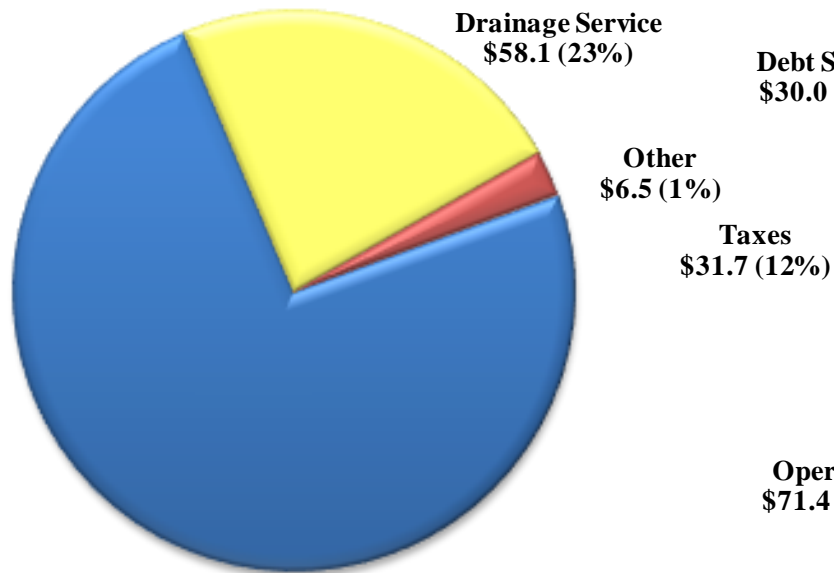
	Previous	Revised (2008)
Residential <10k sq. ft.	All parcels billed same rate per parcel	Four sub-tiers, each with a flat rate per parcel
Residential >=10k sq. ft.		-Five rate classes based on percent impervious
Commercial	<p>-Five rate classes based on percent impervious</p> <p>-Parcels billed based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

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

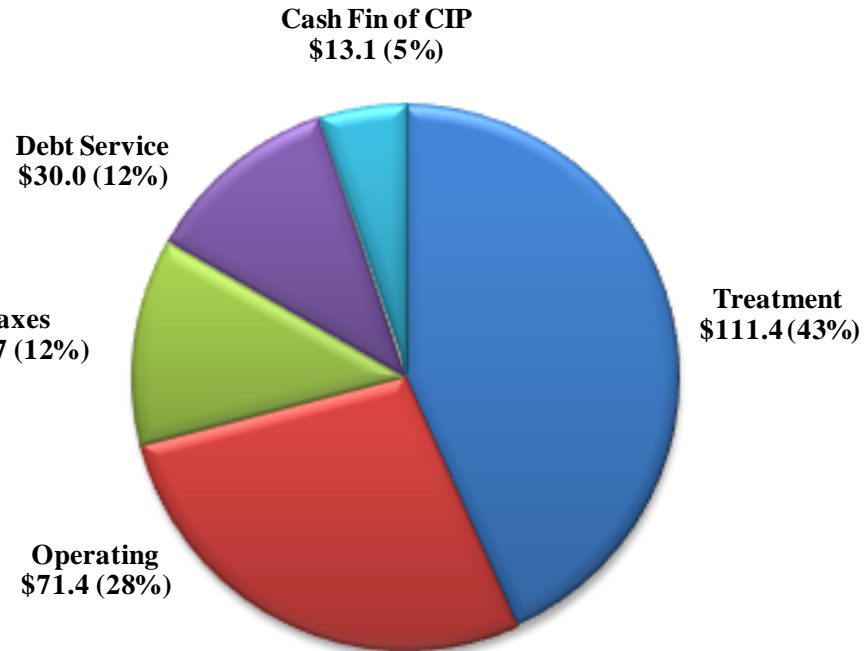
2009 DWF Sources and Uses of Revenues

(\$ 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%		
Current SPU Proposal	Wastewater		4.0%	4.0%
	Drainage		12.5%	10.8%

DWF Rate Drivers

(\$ millions)

	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>
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 ¹	\$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%
TOTAL INCREASE	\$6.2	4.0%	\$4.7	4.0%	\$7.4	12.5%	\$7.2	10.8%

1/ Cash and other revenue includes wastewater consumption adjustment.

Operations and Maintenance Costs

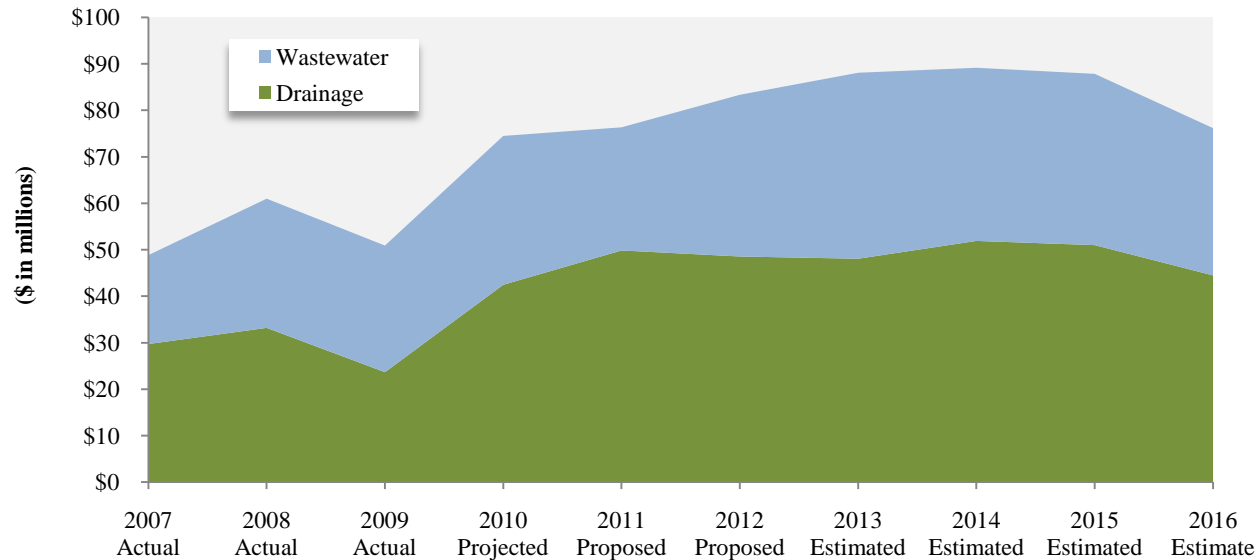
- **Base O&M**
 - 2010 Baseline adjustments
 - Inflation
 - Retirement and Healthcare
- **2011/12 O&M Reductions of \$1.2 million**
- **New O&M (BIPS)**

	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%
TOTAL INCREASE	\$0.6	0.3%	\$0.0	0.0%	\$1.5	2.5%	\$0.4	0.6%

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>	<u>Proposed 2011</u>	<u>2011 Change</u>	<u>Proposed 2012</u>	<u>2012 Change</u>
<u>Overall % Increase</u>							
Wastewater	4.0%	14.7%	1.0%	4.0%		4.0%	
Drainage	26.2%	12.8%	1.9%	12.5%¹		10.8%	
<u>Typical Bill²</u>							
Wastewater	\$40.30	\$46.23	\$46.70	\$48.57	\$1.87	\$50.49	\$1.92
Drainage	<u>\$14.94</u>	<u>\$16.85</u>	<u>\$17.17</u>	<u>\$19.37</u>	<u>\$2.20</u>	<u>\$21.45</u>	<u>\$2.08</u>
	\$55.24	\$63.08	\$63.87	\$67.94	\$4.07	\$71.94	\$4.00

¹ Percent represents overall drainage revenue increase. Percent increases will vary by rate group.

² Typical wastewater bill based on 5.2 ccf per month. Typical monthly drainage fee based on 1/12th 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>	Proposed <u>2011</u>	Proposed <u>2012</u>
Treatment Rate (KC)	\$5.22	\$6.03	\$6.03	\$6.01	\$6.00
System Rate (SPU)	<u>\$2.53</u>	<u>\$2.86</u>	<u>\$2.95</u>	<u>\$3.33</u>	<u>\$3.71</u>
Total Rate per CCF	\$7.75	\$8.89	\$8.98	\$9.34	\$9.72

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>
0 - 2999 sq. ft.	\$91.38	\$102.90	\$104.90	\$132.56	\$146.85
3000 - 4999 sq. ft.	\$132.65	\$149.56	\$152.46	\$171.20	\$189.66
5000 - 6999 sq. ft.	\$179.27	\$202.17	\$206.09	\$232.38	\$257.44
7000 - 9999 sq. ft.	\$213.00	\$256.38	\$261.35	\$295.24	\$327.06

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

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Financial Performance

(\$ millions)

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