

Customer Review Panel

Unanswered Questions from January 25 and January 31 (Working Copy)

January 25, 2017 (Meeting 7)

#	Question	Response
1.	What assumptions are you making on UDP enrollment in the plan?	In the current rate runs, we assumed city-wide enrollment of 28,000 by 2018. New projections could set enrollment expectations at 32,000. However, these are still under review. SPU will bring back firmer assumptions at a later date. The rate projections will need to be updated to accommodate this increase.
2.	What is the cash flow impact on going with the tunnel versus storage tanks? What is the total amount of the Ship Canal project?	Will be presented in March.
3.	Why couldn't SPU reduce any expenditures when the Port of Seattle terminated its drainage contract?	The Port of Seattle was a customer of the City and did not have a contract. The Port was a unique customer in that under state law, they were legally able to form their own utility. There were no City expenditures to reduce. SPU's responsibilities managing the City-wide drainage system did not change when the Port formed a utility. We are still responsible implementing the drainage code, including enforcement and discharges into receiving waters. SPU has the same amount of infrastructure to maintain. The Port, like other private customers, was and still is responsible for maintaining drainage infrastructure on their property. They just no longer pay fees to the City.
4.	Recast the Rate Driver: Infrastructure Investments chart to show solid waste on bottom and Drainage/Wastewater on top.	See chart
5.	What is your projection for the future in terms of capital? Are we looking at continuing very large investment needs?	Will be presented in March.
6.	What is the total capital deficit by line of business and how much are we addressing in the next 6-year plan? Is the backlog growing or shrinking under the proposed plan?	Will be presented in March.
7.	Can we hear more about the facilities master plan results/recommendations?	Will answer the in the Action Plan presentation.

8.	What percentage of the baseline increase is attributable to the increase in solid waste utility taxes? Show in the pie chart. What would the baseline rate path be if solid waste taxes had not gone up?	Tax increase impacts the % increase in solid waste rates in 2017 by 2.5% Repealing the tax increase in 2018 would result in a decrease the solid waste rate path by 0.5% and the overall baseline by 0.11%.
9.	What part of the “Infrastructure related to transportation/\$184M in the baseline is attributable to Move Seattle versus other transportation projects.	Move Seattle is \$152M of the \$184M baseline transportation projects.
10.	How much was added to the plan to fund the consent decree within the planning period?	Will be presented in March.
11.	Please bring back detail on the \$105M in cuts proposed— both on capital and operating side	Will be presented in March.
12.	Is the risk profile on the water and sewer pipe systems changed because of the plan?	Will be presented in March.
13.	Can you backload the placeholder for stormwater regulatory compliance? What impact would that have?	Will be presented in March.
14.	Can you add percentages to the Option B & C (yellow and red) table to show rate impact?	Will be presented in March.
15.	Can you provide a list of organizations that SPU contributes to?	Will be presented in March.
16.	What rate impact would there be if the tunnel project were funded with 40 year bonds instead of 30 year bonds?	Issuing 40-year debt for the tunnel would equate to less than 0.5% on the drainage rate and 0.1% on the wastewater rate in 2019. <u>Concerns</u> <ul style="list-style-type: none"> • Market beyond 30 years is not robust. <ul style="list-style-type: none"> • Difficult to plan for when approaching market. • May have to pay to get investors interested. • Trade off of 10 more years of debt service(\$56.5M) outweighs benefits. <ul style="list-style-type: none"> • Increases debt burden as we are not amortizing debt as quickly. • Mismatch with assets to debt because principal isn’t paid off as quickly.
17.	What part of the rate increase spikiness is attributed to the Ship Canal?	Will be presented in March.
18.	What rate smoothing could be achieved by increasing drainage and sewer rates in 2018?	Will be presented in March.
19.	What is the risk to the utility from a potential loss of federal funds?	The Utility receives very little federal funding so there is unlikely to be a direct impact to us. SDOT and other transportation agencies do receive

		federal funds so any changes to their budget could impact the capital work SPU does. We are working closely with SDOT to monitor the situation.
20.	Are other partners at risk of losing federal funds that might take some work off the Utility? Is loss of federal funds expected to slow down transportation projects that the utility is planning to have to address?	See #21.
21.	Can we see more detail on the baseline – it has gone up a lot more than any of the proposed cut options.	Presentation on 2/22.
22.	Can we see the impact on a typical commercial customer?	See chart.
23.	Add FTE count to the Action Plans document (KR suggestion--perhaps rate impact as well, since Dave asked for that on the Option B&C table...seems like this will be next)	Will answer in presentation on 2/22.
24.	Consider changing the descriptor of Option C from Higher Risk since some of the reductions do not seem very risky.	Will be presented in March.

Customer Review Panel

Unanswered Questions from January 25 and January 31 (Working Copy)

January 31 ,2017 (Meeting 8)

#	Question	Response
1.	Are the King County wastewater contract costs deleted from the total in calculating what Utility Tax is paid on?	Wastewater treatment expenses are not removed from the amount upon which City utility taxes are paid. However, these expenses are removed from the state B&O tax calculation. This is because the state collects B&O tax on these amounts from King County.
2.	How does the inflation on wastewater and solid waste contracts compare to other such contracts nationally?	On a national scale, it is difficult to compare wastewater contracts as Wastewater's relationship with King County is based on a regional partnership with 33 other component agencies. Nationally, there are less than a handful of wholesale wastewater providers that could be considered peers to King County and they all have different rate structures and relationships with their customers. On a national scale, most Solid Waste service is provided through franchise agreements, not contracts. Those that use contracts typically utilize the local inflation rate, whereas ours is a mix of local inflation, wages, and fuel. This mix has been lower than local inflation by 0.4% since 2009.
3.	Why isn't the landfill operations consulting in the baseline? What's new?	Will be presented in March.
4.	Can you break out the costs of ADA from energy efficiency compliance?	The ADA add over 6-years is \$309k. The energy efficiency is \$463k over 6-years.
6.	How much (%) does diaper and pet waste add towards the 70% recycling goal?	Anticipates that the diaper and pet waste add would add 1% towards the 70% recycling goal.
7.	What is being provided with the construction and demolition sorting pilot—people are required to comply with the regulations. Are you proposing to take this requirement on for them?	Will be presented in March.
8.	What can be done to have greater assurance that staff reallocation estimates will be realized?	Will be presented in March.

9.	Baseline CIP for DWW – is there an error in the 2015-2023 chart—it shows no transportation costs in 2015 and 2016...	See updated slides for DWW and Water.																							
10.	What assumptions will be made for UDP enrollment over the time period?	In the current rate runs, we assumed city-wide enrollment of 28,000 by 2018. New projections could set enrollment expectations at 32,000. However, these are still under review. SPU will bring back firmer assumptions at a later date. The rate projections will need to be updated to accommodate this increase.																							
11.	How many connections (accounts) does SPU have? How many of these are residential?	<table border="1"> <thead> <tr> <th data-bbox="907 513 1083 537">LOB</th> <th data-bbox="1092 513 1268 537">Residential</th> <th data-bbox="1276 513 1453 537">Commercial</th> <th data-bbox="1461 513 1820 537">Notes</th> </tr> </thead> <tbody> <tr> <td data-bbox="907 544 1083 568">Sewer</td> <td data-bbox="1092 544 1268 568">155,423</td> <td data-bbox="1276 544 1453 568">21,452</td> <td data-bbox="1461 544 1820 568">City of Seattle service area</td> </tr> <tr> <td data-bbox="907 574 1083 599">Drainage</td> <td data-bbox="1092 574 1268 599">148,181</td> <td data-bbox="1276 574 1453 599">65,938</td> <td data-bbox="1461 574 1820 662">Assessed on each parcel. Commercial includes individual condo units.</td> </tr> <tr> <td data-bbox="907 669 1083 693">Water</td> <td data-bbox="1092 669 1268 693">166,374</td> <td data-bbox="1276 669 1453 693">22,375</td> <td data-bbox="1461 669 1820 721">Service area includes customers outside City limits</td> </tr> <tr> <td data-bbox="907 727 1083 751">Solid Waste</td> <td data-bbox="1092 727 1268 751">164,713</td> <td data-bbox="1276 727 1453 751">13,406</td> <td data-bbox="1461 727 1820 841">Based on number of services for residential. Commercial is number of accounts – one building could share a dumpster.</td> </tr> </tbody> </table>				LOB	Residential	Commercial	Notes	Sewer	155,423	21,452	City of Seattle service area	Drainage	148,181	65,938	Assessed on each parcel. Commercial includes individual condo units.	Water	166,374	22,375	Service area includes customers outside City limits	Solid Waste	164,713	13,406	Based on number of services for residential. Commercial is number of accounts – one building could share a dumpster.
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12.	What is the estimate of how many of these are eligible for UDP? (see #10)	The City currently estimates total eligible population at 70,000 households for the service area, which is larger than SPU’s total service area. While our number is much smaller, we do not have a good measure of what this could be now.																							
13.	Can we see some apples-to-apples cost comparisons on prices of utilities in major cities—a selective sample benchmark.	Will be presented in March.																							
14.	Please forward/bring a copy of the rate design committee’s consultant report that included benchmarking of costs / rates in other utilities.	See attached report.																							
15.	Can you show the average increase Utility costs for a restaurant?	See #22																							