

SPU Customer Review Panel: Strategic Business Plan Update

Presentation to Civil Rights, Utilities,
Economic Development and Arts Committee
March 31, 2017

Customer Review Panel Chair Noel Miller
Vice-Chair Laura Lippman

Panel role per Resolution 31694:

- Gain a working knowledge of SPU
- Review plan assumptions, policy directions, alternatives
- Work with Council and Mayor staff to understand elected official issues and concerns
- Provide comments on the plan concurrent with plan delivery
- Help with customer engagement

9 members; 4 returning from original panel

We have been meeting 2X a month, 3 hours each meeting, since September.

Today we want to share some of the ideas and facts we've heard so far that are important to us

Value of the Plan

- External:
 - Rate predictability for the customer
 - Transparency of Utility plans
 - Commitment to quality, stable services
- Internal:
 - Attention to efficiencies, maintaining the rate path
 - Ability for SPU to plan over time
 - Plan is guiding daily work and longer-term planning
- External and Internal: Engaging Council, Mayor, staff and customers in developing plan

Issues of general concern to Panel

- How can SPU keep rates affordable – to all?
- What progress is SPU making on upgrading the 80-100 year-old pipe systems that are the backbone of our water and sewer systems?
- How should SPU balance new regulatory requirements against other commitments to provide service and maintain facilities?
- Efficiencies– has the Utility been able to deliver efficiencies at the level committed, and if not, why not? What’s realistic to expect going forward?

Issues...

- What are the impacts of City-imposed operating requirements?
- Pass through of King County's West Point Treatment plant repair costs?
- Rate structure—mostly variable-- doesn't match cost structure – mostly fixed. Does current growth create an opportunity for course correction?
- Are there other revenue sources that can be considered to mitigate rate increases to SPU's customers?

Some observations

- In the current plan (2015-2020), the rate path for the next three years averages 5.0% increase each year. This is significantly higher than the average rate for the each of the first three years of the plan (4.1%)
- There are at least two significant “adds” to SPU’s costs in the next 6 years (2018-2023), **not in the current plan**, projected costs of which add an estimated **0.8%** to the overall rate path:
 - Move Seattle (projects not funded by the levy)
 - Ship Canal CSO Project

Move Seattle: additional utility replacement projects are necessary



The Ship Canal CSO project: accelerated schedule as compared to 2014 strategic plan assumptions



Observations

- In the last 2 years the system had an average of 3.8 sewer overflows per every 100 miles of pipe -- the federal regulatory limit is 4 outflows. If the Utility does not meet this standard, it could be required to build additional facilities to address the need – expected to be much more expensive than the current Sanitary Sewer Overflow project approach.



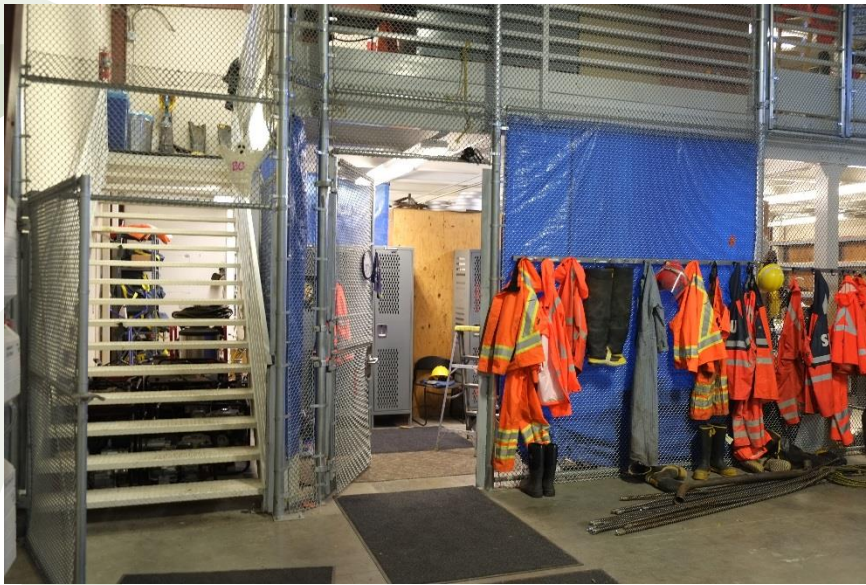
Observations

- Piloted CSO system improvements –both green and grey --are turning out to cost more to maintain than anticipated



Observations

- Major operations facilities are in bad shape and well beyond their useful life



Observations

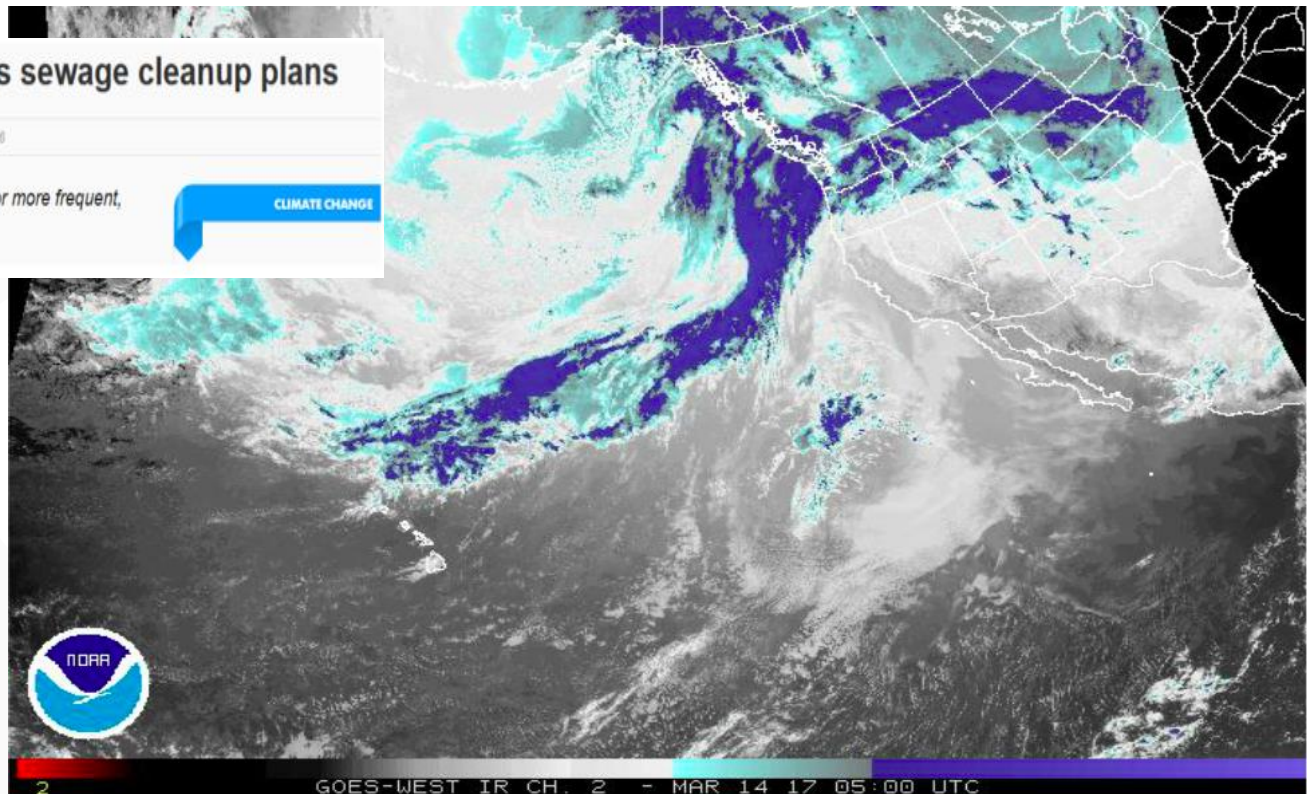
- Sizing and need for combined sewer overflow (CSO) and drainage projects is growing due to climate change—more intense rainfall

Climate change threatens sewage cleanup plans

James Bruggers, @jbruggers 10:12 a.m. EDT October 30, 2016

Climate experts advise communities to brace for more frequent, heavy downpours in the coming years.

CLIMATE CHANGE



Cost facts

- SPU's 2017 budget totals over \$1 billion
- The average residential customer of SPU will pay SPU a total of \$2,158.56 in 2017, including \$334.12 in Utility taxes
 - The total cost is up 29.7% since 2012
- For the average renter (apartment), the annual bill is \$1,283.11

Next Steps

- *Recommend added Action Items, Savings and Efficiencies to the Plan with a resulting rate path for 2018 - 2023*
- *Prepare a letter to the Mayor and City Council providing comments*
- *Provide a final briefing to the CRUEDA Committee*

Our thanks to:

Utility leadership and staff, Council staff rep, and CBO rep –and to the Committee for taking time to hear about the Business Plan update