

## Solid Waste Rate Proposal – 2020-2022

### 2020-2022 Solid Waste Rate Path

The preliminary rate path for Solid Waste is coming in lower than what was planned during the 2018-2023 Strategic Business Plan.


<b>Rate Path (Weighted Increase)*</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Proposed Rates</b>	3.3%	3.2%	2.9%	2.9%
Strategic Business Plan	3.3%	4.0%	3.0%	3.8%


<b>Avg Residential Bill</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Proposed Rates</b>	\$50.95	\$52.45	\$53.95	\$55.55
Strategic Business Plan	\$50.95	\$53.15	\$54.65	\$57.05


<b>Other Sample Bills</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Small restaurant	\$519	\$534	\$550	\$565
30-unit multi-family building	\$580	\$598	\$615	\$633
Transfer Station transaction	\$58	\$60	\$62	\$64


\* Because Solid Waste increases are effective April 1<sup>st</sup> of each year instead of January 1<sup>st</sup> like other SPU rates, the annual weighted average of all Solid Waste services is used for comparison to Strategic Business Plan rates. Unweighted Solid Waste rates for customers would increase 3.0% in 2020, 2.9% in 2021, and 2.9% in 2022, effective April 1 of each year.

### Rate Path Drivers

 **New Solid Waste Collections Contract:** The new contract takes effect on April 1, 2019 and decreases contract and container expense for the rate study period, resulting in annual savings of \$5 million to the Solid Waste Fund. These savings are used during this rate proposal to lower rates for 2020-2022.

 **Improved Demand:** Solid Waste demand has improved, resulting in a \$6 million positive impact to rates in the proposed rate period. Additionally, the improved demand has helped build up cash reserves in 2017-2019 which are used in this rate study period to contribute to a lower proposed rate path. Note: Increased demand has also contributed to increased contract expense, which partially offset the savings.

 **Financial Policies:** Rates continue to be set to the more stringent debt service coverage (DSC) policy adopted in 2015, as well as to meet an internal policy of maintaining a year-end operating cash balance equal to 45 days operating expense. Setting rates to meet these policies in the 2017-2019 Rate Study increased cash reserves which contribute to lowering the current proposed rate path.

 **Update to the Utility Discount Program:** SPU's previous rate study projected more single-family UDP customers than were realized. New assumptions update this projection to anticipate more multi-family UDP customers, which carry lower costs to serve. SPU will save \$7.8 million over the rate study period. This update does not impact UDP customer service levels or number of UDP customers served.

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**Capital Improvements:** During this rate period, the South Recycling Center will be built and entered into service. Originally planned for completion in 2019, current completion is projected to be 2021.



**Recycling Commodity Revenues:** China's recycling ban has resulted in depressed recycling commodity prices. Commodity revenue projections have been updated to account for current market conditions and result in a \$15M decrease in revenue over the rate study period. SPU remains committed to ensuring all recycling commodities are recycled (vs. sending to landfill).