

# Drainage and Wastewater Fund Automatic Treatment Rate Passthrough

September 20th, 2022

# Agenda

Purpose: The proposed legislation would remove the need for legislation to update King County changes to treatment rates.

- Proposed legislation
- SPU drainage and wastewater system
- King County treatment costs
- Next steps

# SPU Wastewater & Drainage Passthrough

## Current Practice:

- King County Council approves new wholesale treatment rates, SPU calculates new treatment rates, then:
  - **In rate study years**, treatment costs are incorporated into the rates via the rate study legislative process
  - **In years outside the rate-study cycle** new rates are approved through a stand-alone ordinance process

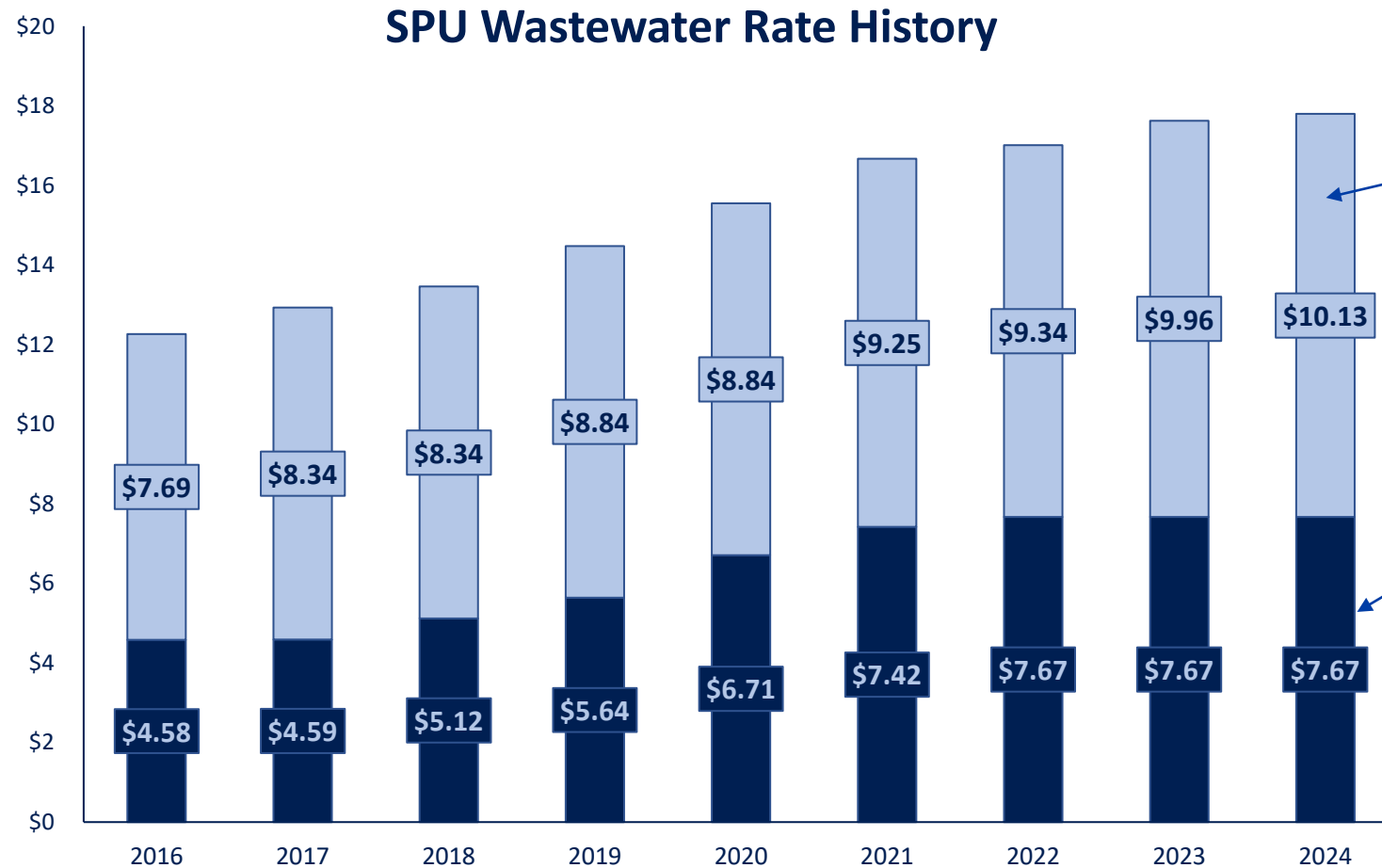
## Proposal:

- As the King County Council adopts new wholesale rates, these rates are automatically incorporated into SPU rates via this new mechanism, bypassing the stand-alone administrative legislative process, as applicable

# Automatic Passthrough Advantages

- ✓ Seattle City Council would retain authority over rates
- ✓ Helps SPU manage financial risk
- ✓ Streamlines and creates efficiencies for annual King County treatment rate update process
- ✓ In line with our contractual obligations to King County and is consistent with how other municipalities approach charge
- ✓ Aligns with Seattle City Light automatic BPA rate passthrough process
- ✓ SPU would continue to submit regular rate studies and Strategic Business Plan updates

# SPU Wastewater & Drainage Rate Structure



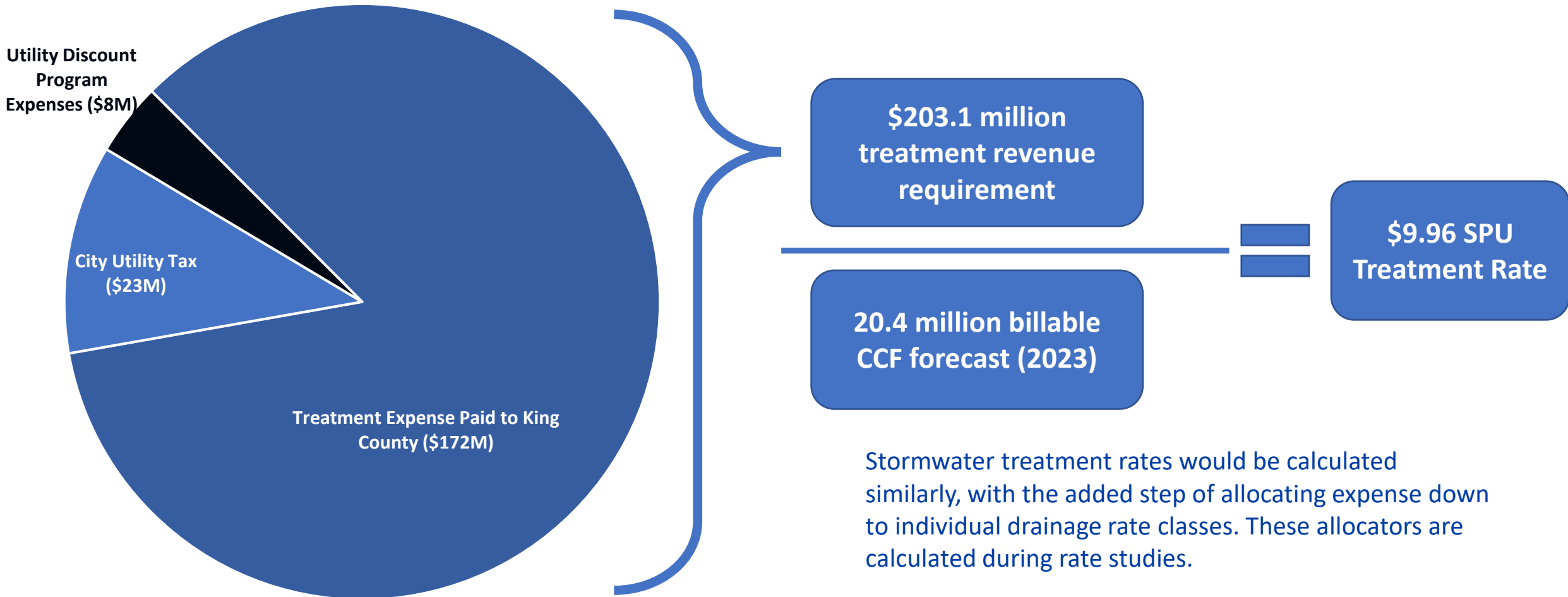
## TREATMENT RATE

Pays for treatment costs to King County and Southwest Suburban Sewer District, the associated City Utility Tax, and Utility Discount Program credits.

## SYSTEM RATE

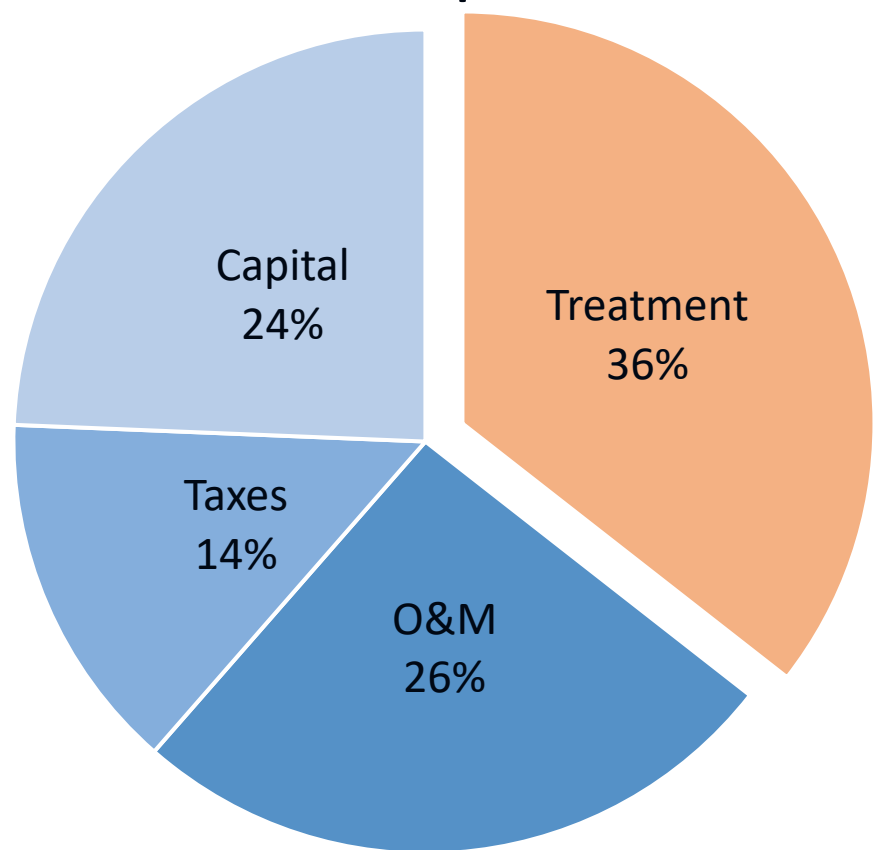
Pays for SPU O&M, CIP, debt service, related City and State taxes, related Utility Discount Program credits, etc.

# Calculation Methodology - Wastewater



# Total Expenditures

## 2021 DWF Expenditures



- Seattle contracts with King County for sewage treatment (since the 1960s)
- King County Council annually adopts a treatment rate that is passed on to local sewer agencies
  - We have opportunity to provide input on the King County rate at various forums
- Approval is in alignment with our contractual obligations to King County

*A small (<1%) of treatment expense is paid to Southwest Suburban Sewer District. These costs are not included in this presentation for simplicity but will be included in calculations*

# SPU Rate Path Assumption

- SPU's adopted 2021-2026 Strategic Business Plan includes a King County provided treatment rate assumption of **4.0%** for 2023.
- In 2022, King County approved an increase of **1.75%** to their original 2023 assumption, thereby impacting SPU rates.
- SPU will need to transmit legislation to account for this external rate increase **to 5.75%** for King County treatment rates. This rate increase translates to approximately \$3 million.



# SPU Rate Path

Current Proposal*	2021	2022	2023	2024	2025	2026	2021-26
Water	0.0%	2.6%	3.6%	3.0%	4.2%	4.2%	2.9%
Wastewater	7.3%	2.0%	4.8%	3.8%	3.6%	6.3%	4.6%
Drainage	7.4%	6.1%	6.1%	6.1%	3.3%	8.8%	6.3%
Solid Waste	2.9%	2.9%	2.0%	2.3%	2.5%	2.3%	2.5%
<b>Combined</b>	<b>4.5%</b>	<b>3.1%</b>	<b>4.0%</b>	<b>3.6%</b>	<b>3.4%</b>	<b>5.3%</b>	<b>4.0%</b>

\*Includes SW Rate Study, KC Treatment Rate, 2023 Proposed Budget

# Next Steps

- **September 20**: T&SPU Committee consideration and possible vote
- **October 2022**: If proposal isn't adopted, SPU will submit stand-alone treatment rate legislation consistent with past practice