

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

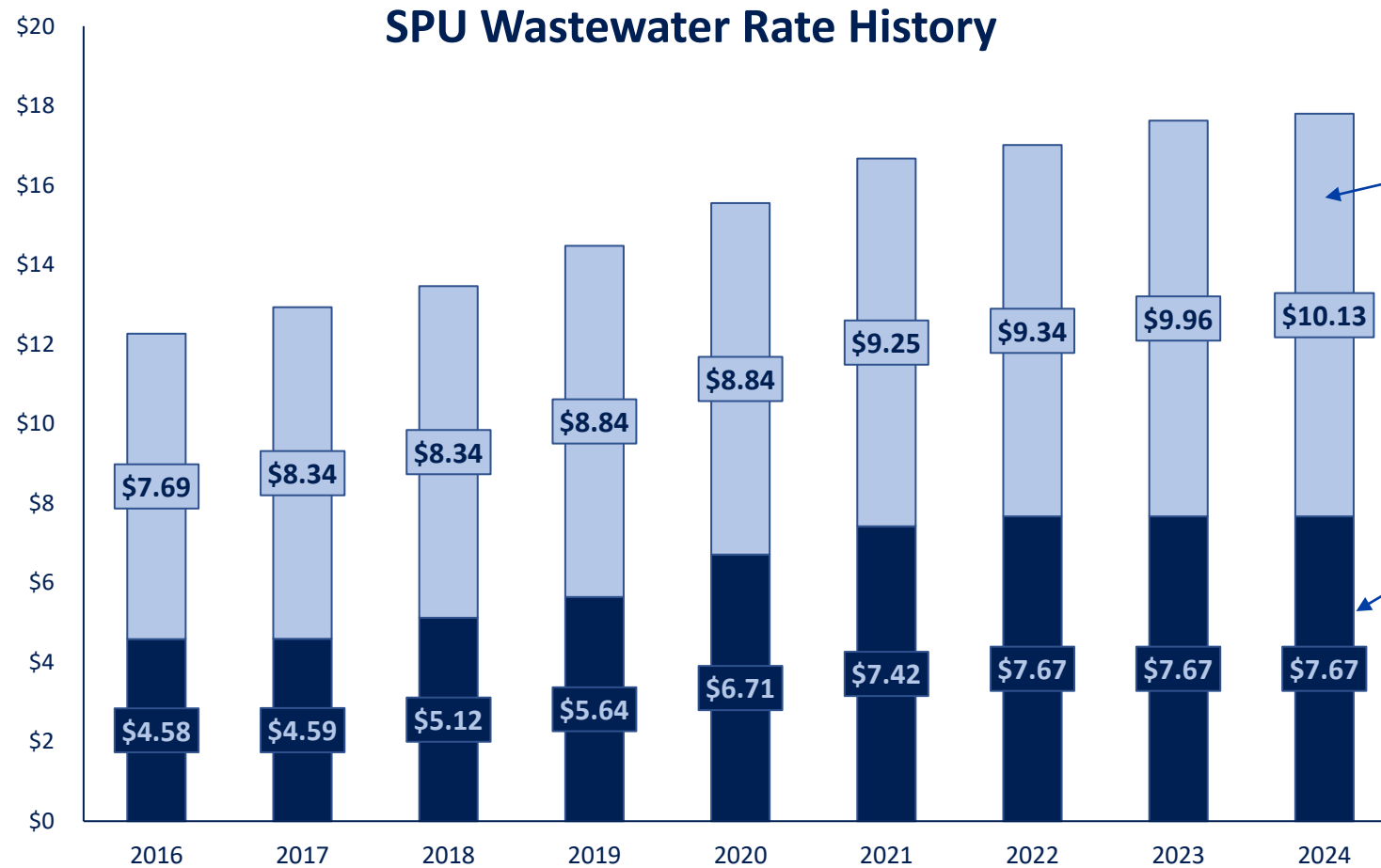
Proposal:

- 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



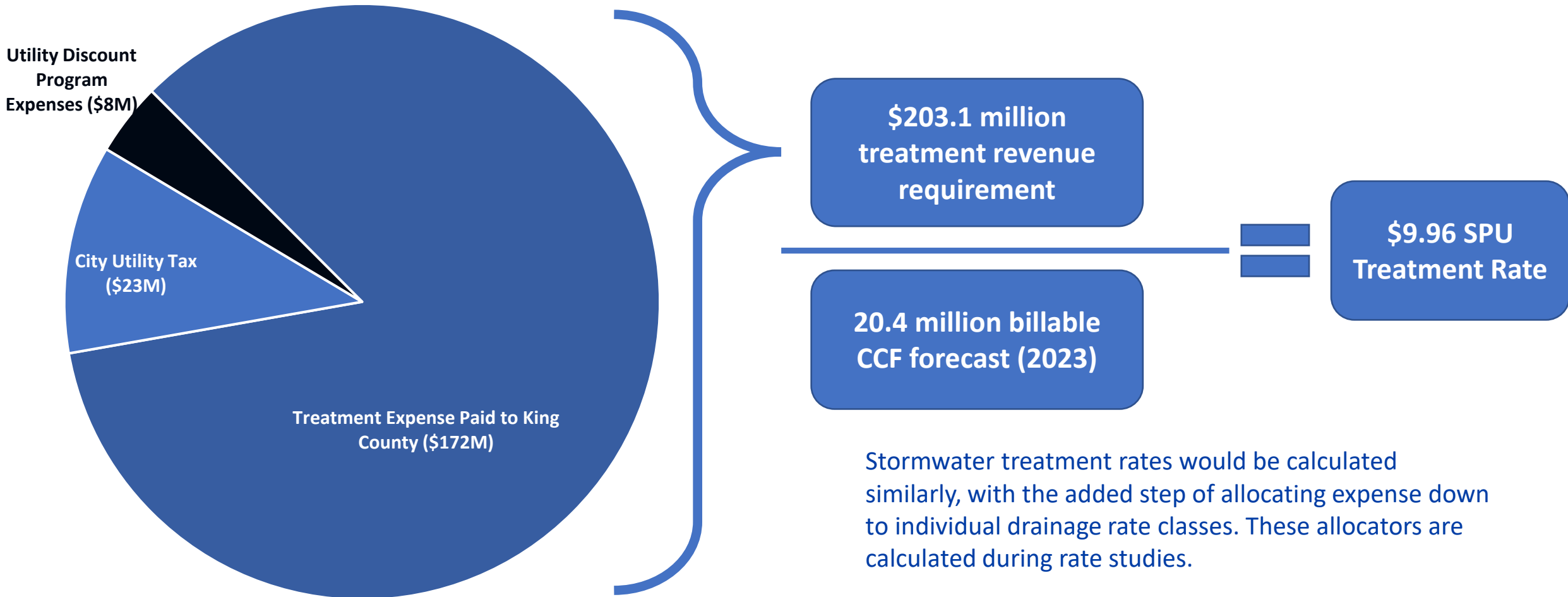
TREATMENT RATE

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

SYSTEM RATE

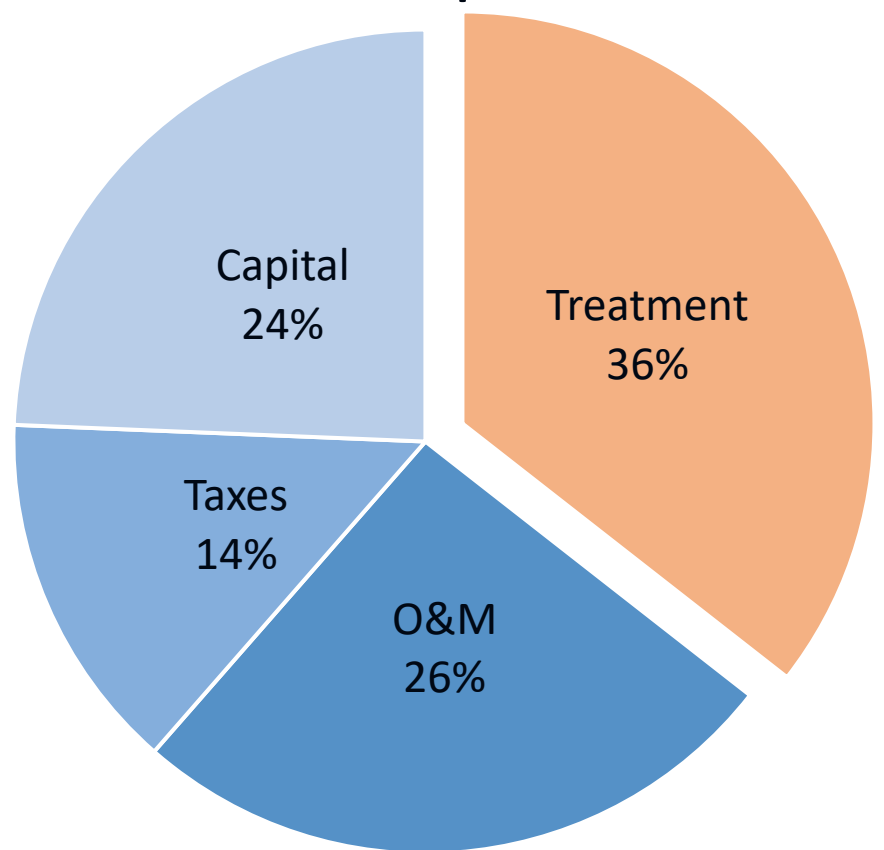
Pays for SPU O&M, CIP, debt service, related City and State taxes, related Utility Discount Program credits, etc.

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%
Combined	4.5%	3.1%	4.0%	3.6%	3.4%	5.3%	4.0%

*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