

## SUMMARY and FISCAL NOTE\*

<b>Department:</b>	<b>Dept. Contact/Phone:</b>	<b>Executive Contact/Phone:</b>
Seattle Public Utilities	Regina Carpenter/4-0836	Aaron Blumenthal/3-2656

*\* Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

### **1. BILL SUMMARY**

**a. Legislation Title:**

AN ORDINANCE relating to water services of Seattle Public Utilities; revising water rates and charges for service to wholesale customers; and amending Section 21.04.440 of the Seattle Municipal Code.

**b. Summary and background of the Legislation:**

This ordinance would adjust water rates and charges to certain wholesale water customers of the Seattle Regional Water Supply System, consistent with the Full and Partial Requirements Contract for Supply of Water between SPU and these utilities. SPU's contracts describe the procedures for allocating costs and developing rates for wholesale customers, including comparing annual costs and annual revenues to determine if there is a deficit or surplus in revenues. The contracts include provisions to increase or decrease rates when there is a deficit or surplus.

Five of Seattle's wholesale water customers pay the Southwest subregional surcharge, which covers their allocated portion of certain assets in the SW part of Seattle's service area. The current SW subregional rates were set in 2014 for 2015 forward. The surcharge would have usually been adjusted as part of the 2017 wholesale rate study. However, the surcharge was delayed due to the need to replace metering equipment to calculate the SW subregional allocations. The one-year delay also allowed for inclusion of an options analysis for the upcoming subregional Beverly Tank capital project, the results of which are an input to this rate study.

This rate study proposes a five-year rate period covering 2019 through 2023, after which the rate adjustment will coincide with the main rate study for the SPU's Water Fund. The proposed legislation would lower the surcharge from the current \$0.16/100 cubic feet (ccf) to \$0.07/ccf for several reasons.

- The current rate was set to cover a previous revenue deficit, which has since been repaid.
- The current rate reflected a projected 23% demand decrease by wholesale customers, which has now been delayed past at least 2023. This higher demand has created a surplus.
- The flow-based, actual allocations were lower than assumed for 2015+ rates, also contributing to a surplus.

**2. CAPITAL IMPROVEMENT PROGRAM**

a. Does this legislation create, fund, or amend a CIP Project? \_\_\_ Yes \_\_\_ **X** No

**3. SUMMARY OF FINANCIAL IMPLICATIONS**

a. Does this legislation amend the Adopted Budget? \_\_\_ **X** Yes \_\_\_ No

<b>Budget program(s) affected:</b>				
<b>Appropriation change (\$):</b>	<b>General Fund \$</b>		<b>Other \$</b>	
	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>
<b>Estimated Revenue change (\$):</b>	<b>Revenue to General Fund</b>		<b>Revenue to Other Funds</b>	
	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>
<b>Positions affected:</b>	<b>No. of Positions</b>		<b>Total FTE Change</b>	
	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>

b. Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?

The legislation would result in a similar decrease (\$380k/year) in wholesale water revenues for each year through 2023.

c. Is there financial cost or other impacts of *not* implementing the legislation?

The primary cost of not implementing this legislation would be the surplus from Southwest wholesale customers would continue to grow. The contracts require that this surplus be returned in the form of lower rates, so a delay would result in a larger decrease in rates in the future.

**3.e. Revenues/Reimbursements**

**X** This legislation adds, changes, or deletes revenues or reimbursements.

**Anticipated Revenue/Reimbursement Resulting from this Legislation:**

<b>Fund Name and Number</b>	<b>Dept</b>	<b>Revenue Source</b>	<b>2018 Revenue</b>	<b>2019 Estimated Revenue</b>
Water Fund 43000	Seattle Public Utilities	Wholesale Water Rates	\$ 0	\$(377,000)
<b>TOTAL</b>			<b>\$0</b>	<b>\$(377,000)</b>

Is this change one-time or ongoing?

The changes are ongoing through the five-year rate period.

Revenue/Reimbursement Notes:

The anticipated revenue reduction results from the incremental rate decrease compared to the current SW subregional surcharge. The annual wholesale water rate revenue reduction for 2020-2023 is \$380,000.

**4. OTHER IMPLICATIONS**

- a. **Does this legislation affect any departments besides the originating department?**  
No.
- b. **Is a public hearing required for this legislation?**  
No.
- c. **Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**  
No.
- d. **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**  
No.
- e. **Does this legislation affect a piece of property?**  
No.
- f. **Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?**  
No. This legislation concerns wholesale water rates to suburban cities and water districts. These utilities set their own retail water rate structures and low income/affordability programs.
- g. **If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).**  
Not applicable

**List attachments/exhibits below:**

Summary Attachment 1 – Seattle Public Utilities 2019+ Wholesale Southwest Subregion Water Rate Study