

## 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 Seattle Municipal Code Section 21.04.440 in connection therewith.

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

This ordinance would adjust water rates and charges to wholesale water customers of the Seattle Regional Water Supply System consistent with the provisions of the Full and Partial Requirements Contract for Supply of Water between SPU and these utilities. SPU's contracts describe the procedures for cost allocation and development of rates for wholesale customers.

The current wholesale commodity rates were set in 2014 for 2015 through 2017. SPU has a new wholesale rate study covering 2018 through 2020. An independent rate consultant reviewed the rate study for compliance with the contracts, and it is in the process of being presented to wholesale customers at the Water Supply Operating Board. This ordinance reflects the results of that rate study. The overall wholesale commodity rates are increasing due to general increases in costs allocated to wholesale customers. Other commodity surcharges and discounts that apply to certain wholesale customers are also being adjusted according to their particular contracts, with some surcharges increasing and some decreasing.

The majority of Seattle's water contracts also require wholesale customers pay a one-time new service fee (Facilities Charge) to Seattle when they connect new retail customers to their water distribution systems. The Facilities Charge is based on the costs of new water supply investments, which include regional water conservation. This is the "growth pays for growth" concept of the Contracts.

Under the Contracts, the Seattle Water Supply Operating Board can specify which new supply projects are paid for through Facilities Charges versus wholesale rates. In June 2017, the Operating Board elected to recover the capital cost of the 2019-2023 regional conservation program through Facilities Charges. This legislation implements that decision. The previous Facilities Charge was based on the capital costs of the regional conservation program from 2014 through 2018.

**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>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
<b>Estimated Revenue change (\$):</b>	<b>Revenue to General Fund</b>		<b>Revenue to Other Funds</b>	
	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
			\$ 0	\$1,295,000
<b>Positions affected:</b>	<b>No. of Positions</b>		<b>Total FTE Change</b>	
	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</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?  
 No.

c. Is there financial cost or other impacts of *not* implementing the legislation?  
 The primary cost of not implementing this legislation would be forgone revenue from wholesale water customers.

**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>2017 Revenue</b>	<b>2018 Estimated Revenue</b>
Water Fund 43000	Seattle Public Utilities	Wholesale Water Rates	\$ 0	\$1,295,000
Water Fund 43000	Seattle Public Utilities	Facilities Charges	\$ 0	\$ 0
<b>TOTAL</b>			<b>\$0</b>	<b>\$1,295,000</b>

Is this change one-time or ongoing?  
 The changes are ongoing.

Revenue/Reimbursement Notes:

The anticipated increases to revenues are the impact of the incremental rate increase over current wholesale rates. The impact to wholesale water rate revenue for 2019 and 2020 is projected at \$2.7M and \$4.3M, respectively. The anticipated increase to Facilities Charge revenues beginning in 2019 is expected to be \$65,000 per year.

**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 and charges 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
- h. **Other Issues:**  
None.

**List attachments/exhibits below:**

Summary Attachment 1 – Seattle Public Utilities 2018-2020 Wholesale Water Rate Study