Drinking Water Line of Business

May 6, 2013 Discussion
With the Customer Review Panel
Structure of Presentation for Drinking Water LOB

1. The Big Picture
   - Overview Statistics
   - System Map
   - System Process
   - Historical and Projected Water Consumption

2. Finances
   - Sources & Uses of Funds
   - Capital Investment Cycle

3. Customer Promises

4. Customer Engagement

5. Looking To 2015-2020
   - Opportunities for strategic focus
   - Decisions already made
   - Decisions to make
The Big Picture: Overview Statistics for Size, Employees, Regulators

**Size**

Service Territory
- City of Seattle
- Half of rest of King County
- Parts of south Snohomish County

Infrastructure
- Supply: Tolt and Cedar River Watersheds; Seattle Wellfields
- Water Quality: excellent water source protection; treatment plants on Tolt and Cedar; groundwater treatment and booster chlorination
- 193 miles transmission pipelines, 16”-96” in diameter
- 1,680 miles distribution mains, <2”-42” in diameter
- 354.5 million gallons treated water storage
- Seattle City Light hydro plants on Cedar and Tolt

**Employees**

# Employees (2013 budgeted) 658

# Unions 15

**Regulators**
- WA State Dept of Health (Safe Drinking Water Act)
- WA State Department of Ecology

*1 ccf = 100 cubic feet = 748 gallons*
# The Big Picture: Overview Statistics for Rates and Bills

## Rates and Bills

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Current Rate Path</td>
<td>3 years; 2012-2014</td>
</tr>
<tr>
<td>Billing Mechanism</td>
<td>Combined Utility Bill</td>
</tr>
<tr>
<td>2012 Rate Revenue</td>
<td>$202.6 million</td>
</tr>
<tr>
<td>Number of Customer Accounts</td>
<td>188,000 retail accounts</td>
</tr>
<tr>
<td></td>
<td>Water also sold to Cascade Water Alliance and 19 other wholesale customers</td>
</tr>
<tr>
<td>Rate Methodology</td>
<td>Retail bills based on metered water usage and meter size, with higher seasonal rates in the summer</td>
</tr>
<tr>
<td></td>
<td>Wholesale bills based on contracts and metered water use</td>
</tr>
<tr>
<td>Retail Customer Classes</td>
<td>Two subclasses: residential and commercial; very similar rates</td>
</tr>
</tbody>
</table>

*1 ccf = 100 cubic feet = 748 gallons*
The Big Picture:
Seattle’s Regional Water System
The Big Picture:
Drinking Water Process from Source to Tap

Supply
- South Fork Tolt River Watershed
- Cedar River Watershed
  - Fish Habitat
  - Hydropower
  - Flood Management

Treatment
- Tolt Water Treatment Facility
- Cedar Water Treatment Facility

Transmission
- Regional Transmission System

Distribution
- Seattle's Retail Service Area
- Wholesale Customers' Retail Service Areas

Customers
- Houses / Apartments
- Restaurants / Hotels
- Industries / Offices
- Schools / Universities
- Hospitals / Nursing Homes
- Public/Private Fire Services
The Big Picture: Water Consumption

Population

Total Consumption

Consumption in Millions of Gallons per Day (Annual Average)
Sources and Uses of Drinking Water Funds

Operating Revenue:
- Commercial: $68.9 (35%)
- Wholesale: $44.0 (23%)
- Residential: $65.7 (34%)
- Private Fire: $2.9 (2%)
- Other: $6.3 (3%)

2011 Operating Revenue = $194 million

Operating Expense:
- O&M: $78.0 (38%)
- Debt Service: $79.6 (39%)
- CIP: $15.6 (8%)
- Taxes: $31.0 (15%)

2011 Operating Expense = $204 million

Water
Where We Are in Our Capital Investments (Graphic Uses 2011 Data)

* Cedar Habitat Conservation Plan
Our Promises to Customers

SPU uses the following service targets as key indicators of quality and success:

**Regional System**
- Supply drinking water that meets or exceeds Department of Health regulations
- Respond to 90% of high priority drinking water problems within one hour
- Provide in-stream water for fish and meet other tribal, regional, state, and federal commitments
- Achieve goals for water conservation & leakage loss

**Retail System**
- Meet state requirements for drinking water system pressure
- Limit yearly drinking water outages totaling more than four hours to less than 4% of retail customers

**Wholesale Customers**
- Meet pressure and flow requirements of wholesale drinking water contracts
- Limit unplanned outages in the drinking water transmission system to within the maximum agreed duration
Are We Keeping Our Promises?

*The short answer is YES*

The longer answer is:

- We have extremely high quality drinking water that we will continue to maintain and protect
- We have an abundant supply of water – enough until 2060 and beyond – for people and fish
- We have a transmission & distribution system that is very reliable
- We respond quickly when problems arise
- We meet our conservation and leakage loss goals
Customer Engagement

Public behaviors in a number of areas have significant impacts on our ability to keep our promises and make Seattle the best place to live:

• Customer Confidence: Drinking water is the sole consumable product of SPU – customer confidence in the safety, taste, and reliability of the product is critical

• Customer Education: Bottled vs tap water, Cedar Ed Center,

• Operating Board: Voice and vote for wholesale customers

• Saving Water Partnership: Participation in regional water conservation programs
Strategic Business Plan Opportunities For Being Efficient, Forward Looking and Solving Problems at the Source

• Increasing focus on Transmission and Distribution System Asset Management
• Transportation-Related Investment Support
• Earthquake Resiliency Improvements
• Sustainability and Climate Change
• Planned ramp down of Cedar River Watershed Habitat Conservation Plan activities
• Additional Integration of Water and Drainage & Wastewater operations and maintenance activities
Looking to 2015-2020: Decisions Already Made

• Wholesale contract terms
  Contracts negotiated through 2062; may be reopened in limited way in 2020
  Cascade contract negotiated by spring 2013

• Morse Lake Pump Plant replacement
  Making significant investment to replace older with new floating pumps and improve the discharge channel

• 2013-2018 Regional water Conservation Goal
  State-required goal established with Operating Board and through 2013 Water System Plan
Looking to 2015-2020:
Decisions To Make – Some Possible Action Plans

• Investments in distribution system (level & strategy):
  What is an appropriate level and pace of investment in the water distribution system?

• Earthquake resiliency, next phase:
  What is the appropriate level and pace of investment in seismic resiliency throughout the system?

• Bitter Lake Reservoir cover:
  Reservoir has floating cover near the end of its life in about 2020 – do we replace floating cover, or bury the reservoir?