Affordability

Discussion with Customer Review Panel
September 26, 2013
Affordability

• Some utility bill comparisons: over time, among utilities, and as a % of household expenditures

• Some thoughts on affordability definitions

• 5 ways to improve affordability

• Looking beyond 2020: Panel request for information on when costs level out?

• General question to Panel
SPU Monthly Charges Over Time for a Typical Residential Customer

Average annual increase of 7% over this period (4.2% after adjusting for inflation)

Residential Typical Monthly Bills from 2004-2014
## Bill Comparisons:
Regional Utilities and Other Large Utilities

### 2012 Typical Residential Customer Utility Bills

<table>
<thead>
<tr>
<th>Utility Type</th>
<th>Seattle</th>
<th>Kirkland</th>
<th>Bellevue</th>
<th>Tacoma</th>
<th>Portland</th>
<th>San Francisco</th>
<th>Atlanta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drainage</td>
<td>$21.81</td>
<td>$18.13</td>
<td>$18.26</td>
<td>$17.82</td>
<td>$23.90</td>
<td>$0.00</td>
<td>$4.00</td>
</tr>
<tr>
<td>Wastewater</td>
<td>$45.92</td>
<td>$68.79</td>
<td>$53.06</td>
<td>$42.94</td>
<td>$42.00</td>
<td>$46.87</td>
<td>$108.08</td>
</tr>
<tr>
<td>Solid Waste</td>
<td>$37.00</td>
<td>$22.02</td>
<td>$19.24</td>
<td>$36.55</td>
<td>$32.40</td>
<td>$34.08</td>
<td>$32.93</td>
</tr>
<tr>
<td>Water</td>
<td>$33.95</td>
<td>$42.55</td>
<td>$36.01</td>
<td>$28.27</td>
<td>$27.85</td>
<td>$33.10</td>
<td>$42.64</td>
</tr>
<tr>
<td>Total</td>
<td>$138.68</td>
<td>$151.49</td>
<td>$126.57</td>
<td>$125.58</td>
<td>$126.15</td>
<td>$114.05</td>
<td>$187.65</td>
</tr>
</tbody>
</table>
Utilities are 5.3% of expenditures in 2001

Seattle MSA Consumer Unit Expenditures - 2001

- Transportation, vehicles, fuel: $9,372, 19.9%
- Shelter: $10,029, 21.3%
- Food, alcohol, tobacco: $7,030, 14.9%
- Utilities, fuels, and public services: $2,497, 5.3%
- Households operations, supplies and furnishings: $3,255, 6.9%
- Miscellaneous: $952, 2.0%
- Health care: $2,479, 5.3%
- Personal care, apparel and services: $2,324, 4.9%
- Education: $715, 1.5%
- Entertainment: $2,381, 5.1%
- Cash contributions: $1,178, 2.5%
- Reading: $170, 0.4%
- Pensions, Social Security: $4,313, 9.2%

Consumer Expenditures in Seattle - 2011

Utilities are 5.9% of expenditures in 2011

Seattle MSA Consumer Unit Expenditures - 2011

- Food, alcohol, tobacco, $7,999, 12.9%
- Shelter, $13,612, 22.0%
- Transportation, vehicles, fuel, $9,485, 15.4%
- Entertainment, $3,848, 6.2%
- Cash contributions, $2,292, 3.7%
- Reading, $183, 0.3%
- Life, other personal insurance, $390, 0.6%
- Pensions, Social Security, $6,895, 11.2%
- Education, $1,552, 2.5%
- Personal care, apparel and services, $2,772, 4.5%
- Health care, $3,681, 6.0%
- Miscellaneous, $1,117, 1.8%
- Household operations, supplies and furnishings, $4,316, 7.0%
- Utilities, fuels, and public services, $3,630, 5.9%
- Personal care, apparel and services, $2,772, 4.5%

Affordability: Some Thoughts on Definitions

• General definition addresses concept that everyone should be able to meet basic needs

• There are varying definitions; no “magic metric”

• Council discussed affordability last year during SPU rate reviews
  o Looked at rate caps (no increases above inflation; no increases above inflation plus 2%) 
  o Chose instead to look holistically at costs and services, via a Strategic Business Plan
Affordability: 5 Ways to Improve Affordability

• *Keep Costs Down* – provide services as efficiently and effectively as possible; reduce or eliminate low priority activities

• *Set Predictable Charges* – customers can more easily budget for charges that are predictable

• *Offer Conservation Programs* – offer programs to customers that allow them to use less of the service or product

• *Subsidize “subsistence” usage levels* – structure rates to promote affordability at low consumption levels

• *Support to lower income customers* – offer rate assistance to customers least able to pay
Affordability: Looking Beyond 2020
Capital Costs Level Out by 2025

Debt Service Payments 2013-2030

- Water
- Drainage
- Wastewater
- Solid Waste

Figures in 000's

<table>
<thead>
<tr>
<th>Year</th>
<th>Water</th>
<th>Drainage</th>
<th>Wastewater</th>
<th>Solid Waste</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$80,000</td>
<td>$20,000</td>
<td>$20,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>2015</td>
<td>$90,000</td>
<td>$25,000</td>
<td>$25,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>2020</td>
<td>$100,000</td>
<td>$30,000</td>
<td>$30,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>2025</td>
<td>$110,000</td>
<td>$35,000</td>
<td>$35,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>2030</td>
<td>$120,000</td>
<td>$40,000</td>
<td>$40,000</td>
<td>$30,000</td>
</tr>
</tbody>
</table>
Affordability: Question to Panel

Initial observations/reactions to baseline rate increase levels as it relates to affordability?