

Answers to Frequently Asked Customer Questions

During the first Outreach, customers asked us a lot of questions about how the Utility works and how our services impact their bills. Below are answers to some of the most frequently asked customer questions.

What is covered under the Utility’s current baseline operations?

We run a big operation, reflected by a budget of \$925 million in 2014. Additionally, between 2015 and 2020, the Utility plans to spend \$1.4 billion on projects including:

- Significant investments in reducing sewer overflows into the Sound, Lake Washington and other waterways.
- Cleaning up polluted sediments, rehabilitating and improving water, drainage and sewage systems.
- Pumping facilities upgrades at Morse Lake (near North Bend) to upgrade water storage access.
- Building the South Park Pump Station to address longstanding South Park flooding and water pollution.
- Making improvements to the Broadview sewer and drainage system that will reduce chronic sewer backups and stormwater flooding.
- Constructing the new North Transfer Station.

The size and complexity of Utility operations and projects, as well as external events, create the challenges and opportunities that we address in this Plan.

What is a Strategic Business Plan?

The Strategic Business Plan details what strategic focus areas, efficiency savings, and action plans the Utility will focus on from 2015 through 2020. These will help the Utility provide high quality services while keeping costs tightly focused. The Plan includes a 6-year projected rate path that will result in predictable customer billing rates.

What’s the goal of the Plan?

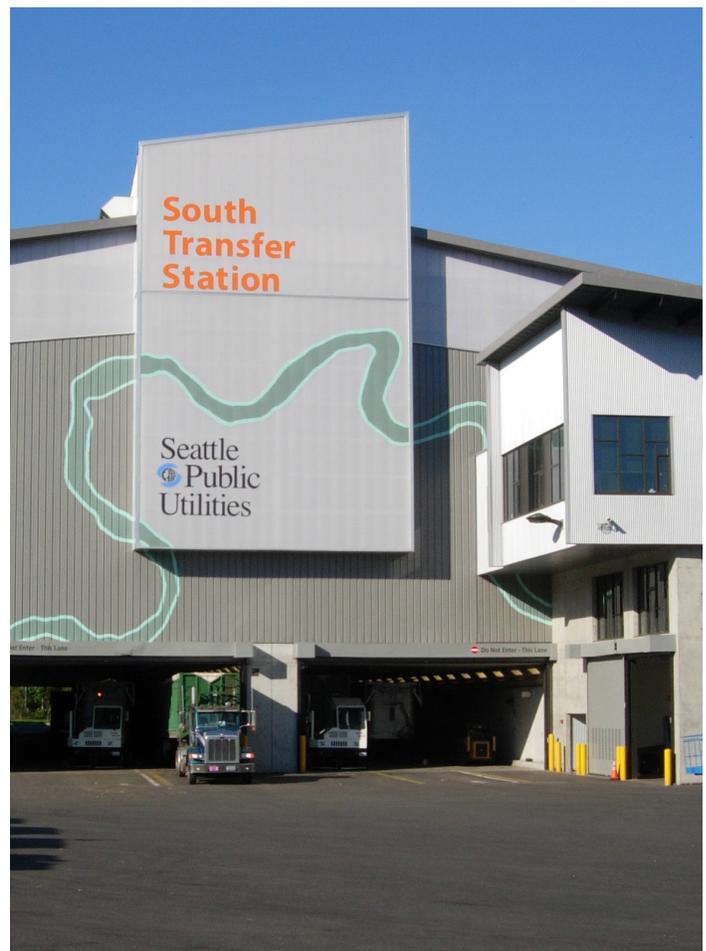
There are several:

- Find new ways to be more efficient.
- Ensure continued high quality services.
- Meet federal and state regulatory mandates.
- Develop more effective ways to communicate and partner with customers, neighborhoods and communities to serve them better.

How was the Plan created?

The Plan was the result of an intensive, two-year process. The Utility:

- Gathered customer and employee research to create our customer Promise.
- Used our Promise as a guide to shape all Utility actions.
- Analyzed opportunities and challenges in light of our strengths and weaknesses to determine focus areas and action plans.
- Reviewed all areas of the organization for efficiency savings.
- Developed detailed action plans.
- Worked with our employees, Customer Review Panel, and elected officials to improve the Plan.



What are the challenges addressed by new action plans?

Our system of pipes and valves are aging and need replacement. We have neighborhoods that are still prone to flooding and sewer backups. Population growth and new City utility requirements from the tunnel, seawall and other projects also impact costs. We have several customer groups that don't currently have full access to our services due to language barriers and other factors. Climate change and disaster recovery are also important considerations. Finally, regulations to protect public health and the environment can get more stringent and costly over time.

The Plan will address these challenges through the lens of its Promise—providing you with efficient and forward-looking utility services that keep Seattle the best place to live. We developed the Promise to create accountability to our customers.

The Utility is recommending 27 action plans which will cost \$169 million and will add, on average, 0.5% to customer bills, per year, through 2020.

How do action plans relate to our customer services?

The consequences of missing a service goal could have a significant negative impact on our customers, public health and the environment. Our action plans will help us limit this risk and improve the ease of working with us. Each action plan impacts either the quality or reliability of a given service. You can see which service is improved by each action plan in the action plan tables under *Focus Areas, Efficiency Savings and Action Plans*.

What is the Utility doing to become more efficient and reduce costs?

The Utility analyzed its operations to look for efficiency savings. This is a best practice for any organization of our size and complexity. We'll realize \$125 million over the next six years without sacrificing service quality.

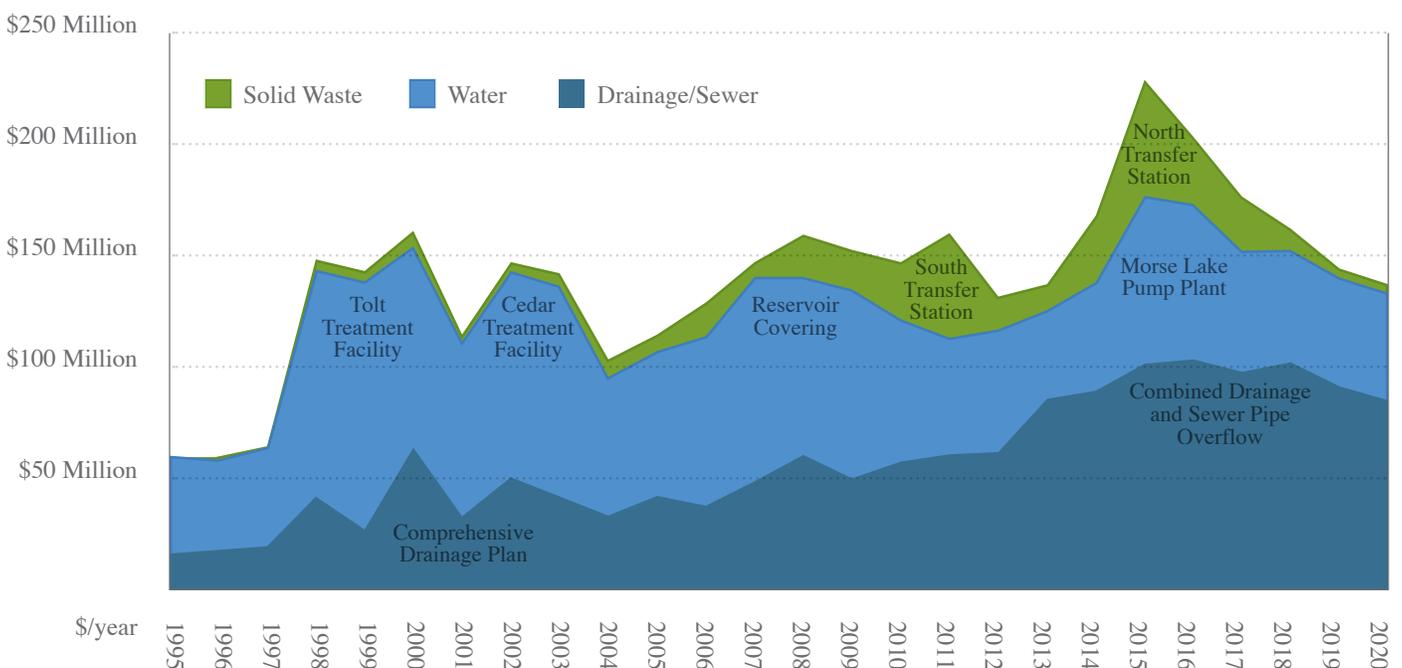
This will save customers, on average, 0.5% on their bills, per year, over the 2015 through 2020 period.

Why do we need to make such big investments?

The Utility has a very large system of pipes, valves, pumping stations, watersheds, reservoirs, and sewer overflow holding tanks to maintain.

In addition, the Utility has to periodically make new, large investments to ensure continued service quality. The Utility is entering a new cycle of drainage and sewer investment. Meeting regulations to prevent sewer overflows and clean up historically polluted waterways will account for most of the growth in your drainage and sewer bills during the Plan period. Other large investments include rebuilding the North Transfer Station, and preventing sewer backups and flooding in Seattle's neighborhoods.

Total Project Investments 1995-2020



Why do rates keep going up even after great customer participation in water conservation and recycling?

Despite population growth and a rebounding economy, demand for our services is expected to decline slightly. But system costs do not fall with declining demand—the pipes and pumps still need to be maintained and replaced, the garbage trucks still need to pick up the garbage, and we must meet all regulatory requirements. This will add 0.3% to an average customer’s bill if demand patterns remain the same.

What’s the Utility’s past history around rate increases?

In the past decade, rates have increased an average of almost 7% per year. This was the result of major investments, increases in the cost of doing business and continued declining demand due to customers’ conservation efforts. Big expenses included:

- Covering in-City water reservoirs.
- Building the Cedar and Tolt River treatment plants and the South Transfer Station.
- Increasing King County sewage and stormwater charges due to the building of the Brightwater treatment plant.
- Ongoing repair/replacement of aging systems.

We’re expecting the next six year’s increase to be considerably lower— averaging 4.6% per year across all customer types. Yearly increases will vary by core service—the per-year increase represents a blended rate of all core services. Core services include drinking water, sewer, drainage, garbage and recycling.

Why are rates going up faster than inflation?

Our goal is to keep rates as low as possible. Several factors drive the need for annual increases including inflation, basic operations/ maintenance, replacing/building systems, Utility Discount Program support and lost revenue from decreased demand.

Current Baseline Operations Average Annual Increases

2.4%	Inflation
0.6%	Replacing/building systems
1.1%	Increasing cost of doing business
0.2%	Utility Discount Program support
0.3%	Lost revenue from decreasing demand
4.6%	Total

How much will the action plans cost customers?

Our 27 action plans will cost \$169 million and increase customer bills on average 0.5% per year.

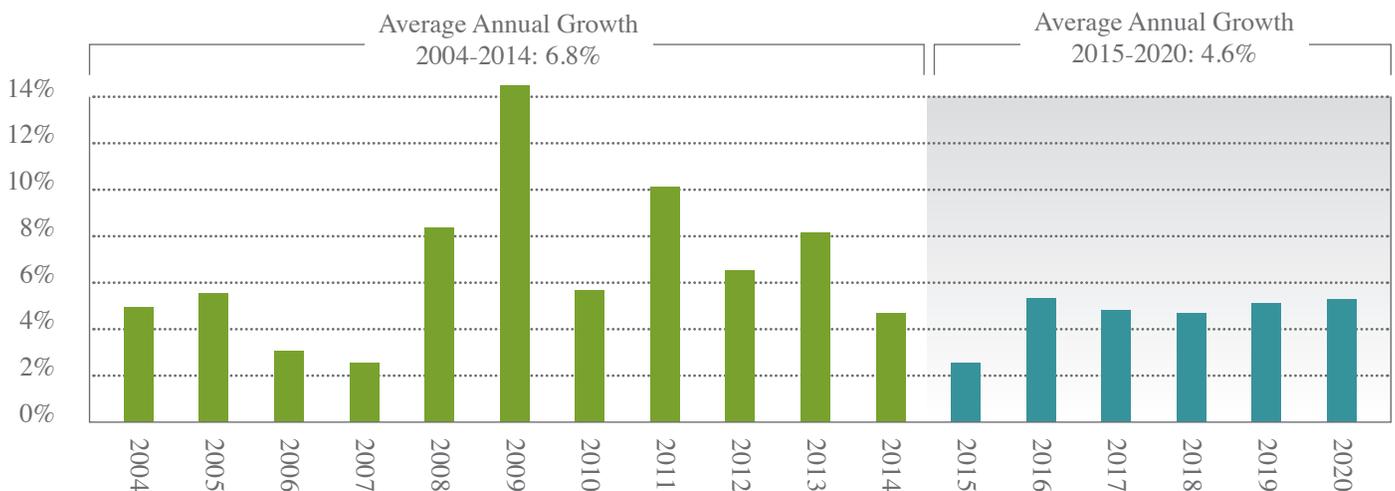
What’s the recommended rate increase after all efficiency savings and action plans?

The chart below shows what the average annual rate increase will be for 2015-2020 under our recommended rate increase option. This is the combined total average annual cost increase for water, sewer, drainage and garbage and recycling.

Overall Average Annual Rate Changes for Utility Lines of Business from 2015-2020

Rate Analysis Step	Average Annual Rate Change
Current Operations (Baseline)	4.6%
Efficiency savings	(0.5%)
Action plans	0.5%
Final billing rate	4.6%

Average Annual Rate Growth in the Past Decade and in the Six-Year Planning Period



How will rate increases affect my bill?

The Utility has recommended a rate increase for the 2015 through 2020 of 4.6% per year across customer type that positions us well to meet future needs. This option reflects efficiency savings that include SPU’s “no new full-time-employee by 2020” goal.

This shows the average increases under the recommended billing rate option for an average residential monthly bill by service type.

Typical Monthly Residential Bill	2015	2016	2017	2018	2019	2020
Drinking water	\$38.92	\$40.96	\$43.08	\$44.85	\$46.82	\$48.04
Sewer	\$50.93	\$52.92	\$53.87	\$55.38	\$59.36	\$64.17
Drainage	\$29.18	\$32.13	\$34.73	\$37.44	\$40.47	\$43.71
Garbage and recycling	\$42.36	\$43.93	\$46.65	\$48.50	\$49.88	\$51.09
Combined	\$161.39	\$169.94	\$178.33	\$186.16	\$196.54	\$207.02

The table shows typical residential bills expressed as monthly charges. Actual SPU bills are bi-monthly for drinking water, sewer, garbage and recycling, and twice yearly for drainage fees paid with property taxes.

What is the average annual increase by line of business?

Projected 6-Year Rate Path	2015	2016	2017	2018	2019	2020	2014-2020 Average
Drinking Water	0.0%	5.2%	5.2%	4.1%	4.4%	2.6%	3.6%
Sewer	0.8%	3.9%	1.8%	2.8%	7.2%	8.1%	4.1%
Drainage	9.8%	10.1%	8.1%	7.8%	8.1%	8.0%	8.6%
Garbage and Recycling	4.2%	3.5%	6.0%	4.0%	2.9%	2.4%	3.8%
Combined	2.7%	5.0%	4.7%	4.2%	5.5%	5.2%	4.6%

The solid waste rate path represents average annual increases assuming new rates are effective April 1st of each year. Actual rate changes for each of Seattle Public Utilities’ lines of business are subject to approval by the Council via passage of a rates ordinance. The blended rate increase for each year is based on the relative cost of each service.

How do other rates compare to other municipalities?

Rates by City: 2014	Water	Sewer	Drainage	Garbage	Total
SEATTLE	\$38.93	\$50.53	\$26.58	\$40.95	\$156.98
Tacoma	\$34.73	\$47.02	\$19.97	\$36.55	\$138.27
Bellevue	\$54.13	\$68.64	\$21.19	\$20.78	\$164.73
Issaquah	\$31.90	\$54.54	\$14.08	\$15.30	\$115.82
Kirkland	\$45.31	\$72.28	\$16.77	\$24.59	\$158.94
Portland, OR	\$27.61	\$37.85	\$24.88	\$28.10	\$118.43

How can I lower the cost of my utility bill?

If you are a low-income customer, you may qualify for our Utility Discount Program which discounts your bill by 50%. The Utility recognizes that your bill can represent a significant portion of your income and we want to help in any way possible. Go to http://www.seattle.gov/util/MyServices/MyAccount/Payment_Options/PaymentAssistance/index.htm for more information.

Customers can also lower their bills through reducing garbage can size, composting food and yard waste, and reducing water use.

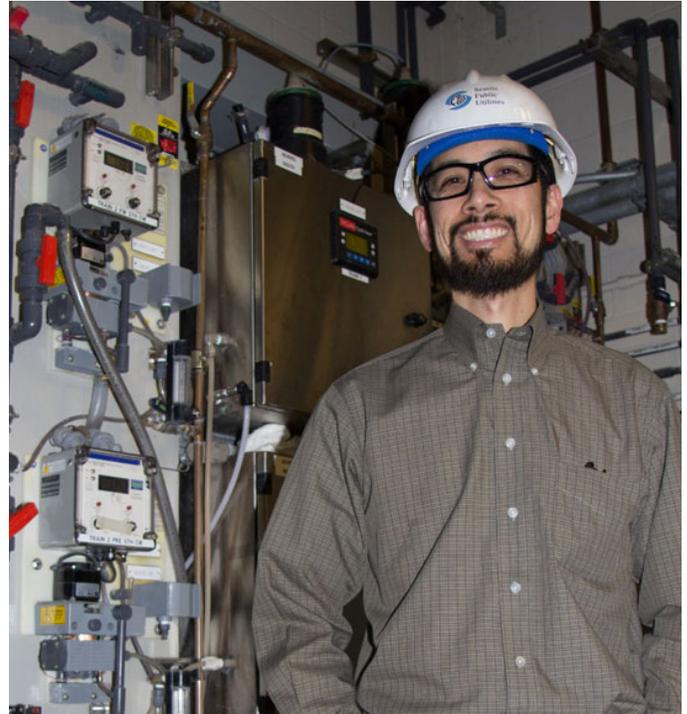
What will the Utility do after 2020?

We will be conducting updates during 2015-2020 to fine-tune the Plan and respond to unforeseen events. We will revise the Plan at the end of 2017 when we'll have three years of results to analyze. At that point, we can begin looking at adding years to the end of the Plan to extend it into the future.

Once the Plan is approved, will you be updating us on progress?

Yes. Check out our publication, At Your Service, <http://atyourservice.seattle.gov/> for Plan updates, tips, advice, rebates and information on ways to partner with us. We'll also be periodically updating you on:

- Action plans and efficiency savings.
- Current baseline operations.
- Recommended rate path increase assumption changes.
- Service measures.



We always welcome
your feedback and ideas.



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For interpretation services please call 206-684-3000.

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