

Allocation of 2011-2030 Regional Conservation Program

Issue:

The Operating Board is to allocate the 2011-2030 Regional Conservation Facilities costs between New Supply rates and Facilities Charges:

- If Regional Conservation Facilities costs are allocated to rates, then asset costs would be recovered through rates to all Full and Partial contract holders.
- If Regional Conservation Facilities costs are allocated to Facilities Charges, then the Facilities Charge ERU fee would change to include the additional New Supply Facility.

As part of the analysis, the Operating Board may also want to consider other options, such updating the current ERU fee for changes in the 1% Conservation program since 2002, or alternatively removing the remaining 1% Conservation assets from the Facilities Charge cost pool.

Action Requested of Operating Board:

That a sub-committee be established to develop a recommendation for the full Operating Board on allocating 2011-2030 Regional Conservation Facilities costs.

All three utility groups and SPU should be represented on the committee and the work should be completed by early 2010.

History:

When the Full and Partial contracts began, there were two New Supply Facilities: 1% Conservation and the Tacoma Second Supply project. These were both recovered through Facilities Charges, resulting in an ERU fee of \$1,349 for each ¾" connection. In 2002, Seattle withdrew from the Tacoma Second Supply project and the Operating Board voted to adjust the Facilities Charge in December of that year. In February 2003, the current ERU fee of \$713 per ¾" connection was adopted by Seattle City Council.

In January 2006, the Operating Board adopted a 15 mgd conservation goal for the 2011-2030 time frame.

From Full and Partial Contracts section IV.C.1.b:

- i. **Water supply resources developed in the future ("New Supply Resources") that expand the capacity of the Seattle Water Supply System**, including the costs of the 1% conservation program from January 1, 2002 through 2010 and a portion of the cost of the Tacoma Second Supply Project (as allocated from the Tacoma Second Supply Project Cost Pool as set forth in Section IV.E. 7), **shall be included in the New Supply Cost Pool**. If any portion of a New Supply Resource project enhances reliability of Existing Supply Resources, the costs thereof may be allocated to the Existing Supply Cost Pool if the Operating Board and Seattle both agree.
- ii. **The cost of New Supply Resources plus Rate of Return on Investment may be recovered through FCs charged annually to the holders of Full Requirements Contracts, Partial Requirements Contracts and Seattle or through new supply rates based on the costs of such facilities**. Such costs which are not recovered on an annual basis through FCs shall be recovered through new supply rates. The new supply rate shall be applied to all holders of Full Requirements Contracts and Partial Requirements Contracts and Seattle.

(over)

- iii. **The Operating Board shall determine the portion of the New Supply Resource costs that shall be recovered through FCs or through new supply rates.** The FCs and new supply rates may be scalable to create an incentive for developers to build housing or commercial units with efficient water usage levels. Water Utility, as well as each other Wholesale Customer and Seattle in setting rates for retail customers shall be free to choose the method of incorporating FCs or new supply rates into their own retail rates and charges.