

Administration:

- Members Present: Valerie Cholvin, Patrick Conroy, Laura Markley, Kris McArthur, Frank Metheny, Ross Gilliland, Chris Thompson, Tom Grant, Eric Anderson
- SPU Staff Present: Dave Hilmoie, Julie Burman, Ray Hoffman, Sherri Crawford, Craig Omoto, Sue Morrison

Meeting called to order at 4:05PM.

Laura Markley is the Acting Chair in Alice's absence. Laura introduced new members Kris McArthur, Ross Gilliland, and Patrick Conroy.

February 16, 2011 meeting notes accepted as written.

Laura framed the agenda by saying that Ray Hoffman and Sherri Crawford would be explaining the water rates process and how the committee can contribute. Tom Grant has organized a rate design sub-committee. WSAC is particularly interested in rate drivers.

AGENDA TOPICS:**SPU Water Rate Design -
Issues, Process and Potential WSAC Involvement**

**Ray Hoffman, SPU
Director
Sherri Crawford,
Finance Division
Director**

Sherri provided a packet highlighting current Seattle water rates and the SPU water fund. Sherri described the specifics of the Seattle retail service area, wholesale customers, and watershed supply. The SPU 2011 Adopted budget for the water fund is \$275.3 million. Water fund sources and uses of revenues were explained. Water rate structure objectives are revenue sufficiency and stability, customer equity, simplicity and understandability, promotion of conservation, affordability for low income, and economic efficiency. The water rate structure includes 1) Monthly charge based on meter size, 2) consumption-based rate, and 3) revenue stability. There are seasonal block rates with residential peak block in effect during the summer months. The 2011 retail rates were overviewed as well as SPU current bond ratings. The rate study development process includes developing a budget, determining revenue requirements, allocating customer classes, and designing rates. The major issues for the 2012-2014 Water Rate Study are decrease in revenues and debt service coverage. The rate study timeline is March-April Develop rate proposal, May – Executive review, End of June – Submit proposal to City Council (proposal available to WSAC), July – SPUN Committee presentation, August – Council staff reviews proposal, October – Council vote.

Ray explained that modeling shows that the current water supply should be good for the next 50 years. Conservation plays a part in units sold vs. fixed costs. The question always is “what is the right level of investment in conservation?” Demand right now is the lowest it's been in 50 years. This is due, in part, to technological efficiency in the building code and increasingly efficient appliances. The leak rate for Seattle is about 1/3 of the national average. Reactive maintenance is more expensive than proactive maintenance. The goal is to get out in front of failing pipes. Ray suggested that SPU staff come to a WSAC meeting to explain SPU's asset management approach to the distribution criticality analysis.

SPU revenues have been off significantly due to the economy. SPU has cut 85 positions (6% of the workforce) over the last year. This includes the entire utility, not just Water. SPU does not see any big new opportunities to sell more water. The projection for consumption in 2011 is about 10% less than 2009, but costs will not be going down by 10%.

Ray would like the committee to continue to ask questions when SPU looks at capital programs and financial targets. Ray would also like the committee to be familiar enough with the business so the right questions can be asked. WSAC member Tom Grant said he would like to have issues that the committee can grapple with and provide feedback. Ray mentioned the distribution program. For example, what is the right size and level of investment to meet current standards? This plays into the rates, but is longer living. Ray also mentioned the low income rate structure and how SPU compares to other jurisdictions. Ray indicated that costs in the future will be related to transmission and distribution.

Tom Grant explained that WSAC had formed a rates sub-committee and was expecting to hear from SPU regarding what the committee could work on related to the water rate design process. Ray suggested that WSAC consider the water distribution system, the low-income rate assistance, annexation of new service area, and a long-range CIP forecast.

Julie will talk with Dave Hilmoie to recap the discussion and set a meeting with him, Tom Grant and Alice Lanczos to discuss WSAC's potential role in water rates and customer communication. Julie will also solicit Dave's perspective about WSAC involvement in a long-range CIP forecast.

Further discussion took place regarding value added to SPU by WSAC. If there is nothing left to do regarding rates, then WSAC would like to find other topics where they can contribute.

Drinking Water Quality Report – progress report

Laura Markley

Laura asked the committee to consider the outline from ParkerLePla. She will provide any comments to Jason Argo.

Endotoxins & Kidney Centers – update

**Julie Burman,
SPU Policy Liaison**

As a follow-up to Eric's overview in February of the NW Kidney Centers concerns about endotoxins, SPU is providing expertise along with the sampling capacity from SPU's Water Quality Lab to better understand the issue.

This appears to be an issue that does not pose a health hazard for the general public -- but of course there are special medical needs for some people. Julie noted that the issue appears beyond SPU's water supplies from the Cedar and Tolt which meet all regulatory standards (there is no regulatory standard for endotoxins) and special needs for additional water treatment on-property are the responsibility of the business – not SPU.

Committee Closing Business

**Laura Markley,
Acting Chair
Julie Burman,
SPU Policy Liaison**

- Annual Meeting will be held April 6th, 3:00-5:00PM. Ray Hoffman will speak about the state of the Utility.
- Alice Lanczos – WSAC Chair, would like input from members regarding what she should ask during her two minutes at the annual meeting. Laura suggested that expertise and knowledge of new members be emphasized (public administration and fire modeling), help the Utility

determine the value of water, emphasize committee ability to become educated on issues and then exert influence.

- If new members need orientation information regarding SPU, its structure, or water system related information, please talk to Julie.
- Next meeting – Wednesday April 20, 2011
- Meeting adjourned at 5:50PM