

**Seattle Public Utilities  
Strategic Business Plan  
2015-2020 Baseline Rates and Services Description**

### Introduction

Baseline rates are calculated to increase at an **average annual rate of 4.6%**.

It is important to remember that the baseline is **NOT a rate proposal**. Instead, **it is a starting point** that answers the question: How would rates change if we continued doing what we're doing, plus meet new, firm regulatory requirements?

We will scrub the baseline through efficiencies and reductions in lower priority programs activities. And we will recommend investments in our four strategic focus areas: the workforce, operational excellence, environmental and public health, and the customer experience. The net impact of these reductions and new investments will result in a recommended rate path that is different from the baseline.

### Services Provided in the Baseline Rates

The baseline includes **funding for the services currently provided** to SPU customers. Services and costs in 2020 include:

- Drinking water delivered to your home or business at a cost of slightly more than a penny per gallon
- Sewage taken away from your home or business at a cost to you of about 2 pennies per gallon
- Garbage, organics, and recycling are picked up at your curb at an average per container cost of \$5.30 for each pick up.

The baseline also includes **investments in our infrastructure**, so that SPU can continue to deliver reliable services to its customers. These investments include:

- Replacing or rehabilitating aging water pipes, whose average age is 67 years
- Replacing or rehabilitating aging sewer pipes, whose average age is 85 years
- Funding for flooding and sewer backup problems in the hardest hit neighborhoods in Seattle
- Replacing our two in-City solid waste transfer stations

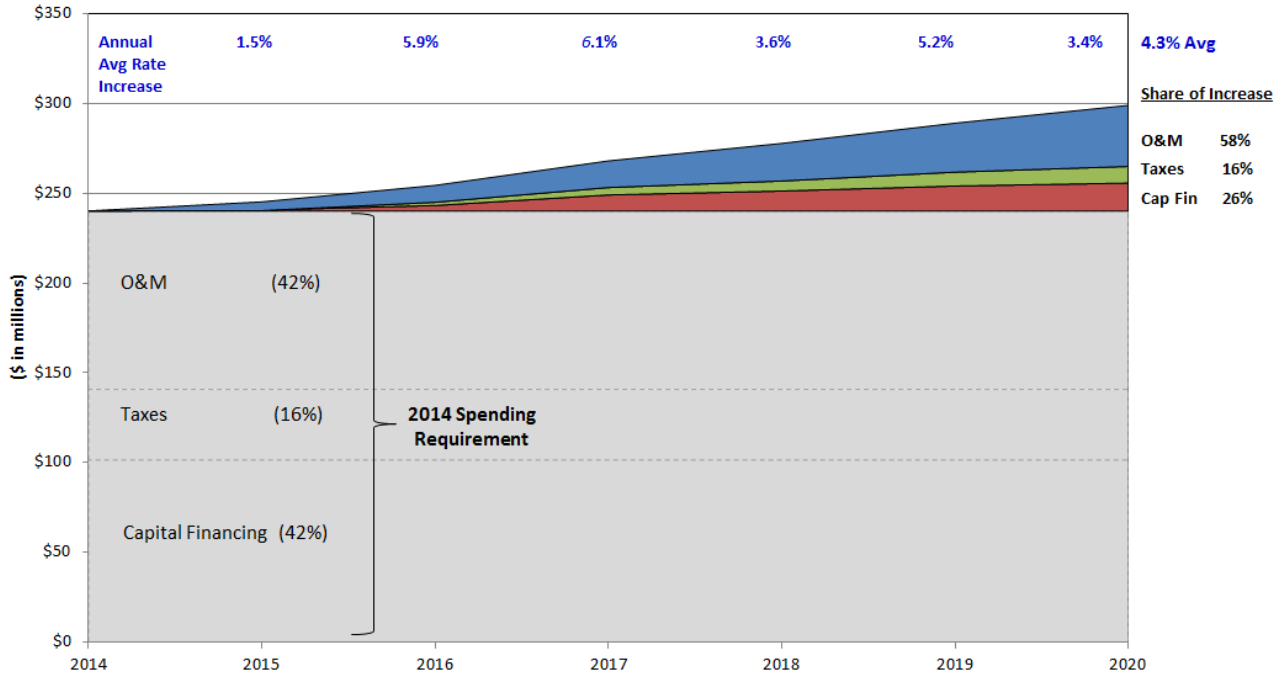
The baseline also includes additional **funding in response to increasing regulatory requirements**, especially in the drainage and wastewater lines of business under the Federal Clean Water Act. This includes funding for:

- Minimizing sewer overflows into Seattle's water bodies
- Paying SPU's share of the cleanup costs for the Duwamish River
- Providing additional stormwater runoff control measures

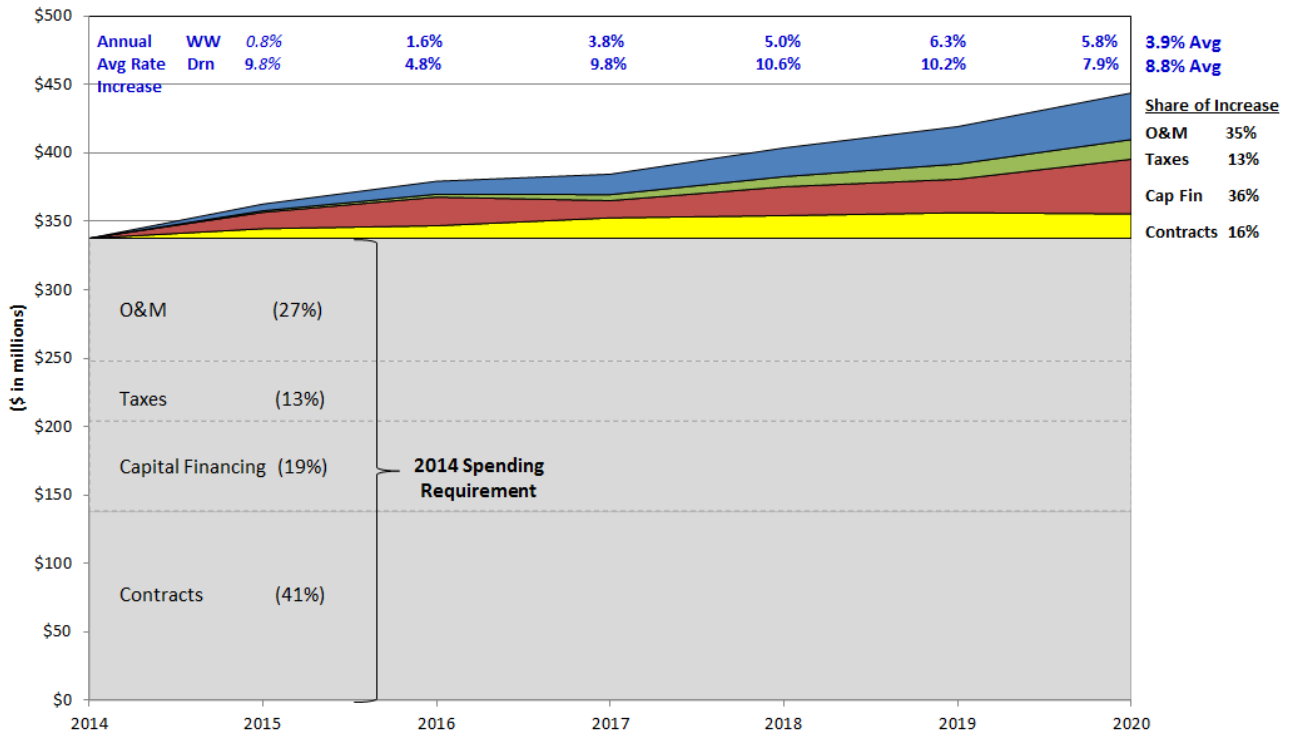
Why Are Baseline Rates Increasing? The following graphics shows the **cost drivers** behind the baseline rate increases for each line of business. The major drivers are:

- **O&M costs** (SPU labor and non-labor costs, and charges from other City departments)
- **Large service contracts** (King County wastewater treatment in the drainage and wastewater line of business; solid waste hauling, processing, and disposal for solid waste)
- **Capital costs** (existing debt payments and cash contributions, plus payments on new investments)
- **Taxes** (City and State taxes, increasing in proportion to increases in rate revenues)

## Water Fund 2014-2020 Spending Requirement



## Drainage & Wastewater Fund 2014-2020 Spending Requirement



## Solid Waste Fund 2014-2020 Spending Requirement

