

# Baseline, Part 3

**Discussion with Customer Review Panel**  
**September 12, 2013**

Seattle  
 Public  
Utilities

# Reminder of Baseline Definition

***Definition of baseline:*** The change in annual rates, or annual rate revenues, needed to maintain existing service levels plus meet firm regulatory requirements.

***What does “maintain existing service levels” mean?***  
Actual service quality (as opposed to targeted service quality) neither degrades nor improves.

# Baseline Discussions

## *What We've Covered in Prior Three Meetings*

- Definition of baseline and what it does NOT include
- Why the baseline doesn't just increase with inflation
- Overview of cost categories, using 2013 as starting point
- Discussion of value-added (discretionary) costs
- Beginning of discussion of baseline service levels
- Discussion of the baseline forecast – rates, bills, major drivers
- High level discussion of the major baseline assumptions and vulnerabilities

# Baseline Discussions

## *What We'll Do Today (September 12)*

- Address questions raised at the August 20 meeting
- More detailed discussion of the major baseline assumptions
- Review the comparative and historical residential rate information
- Discuss the concept of affordability

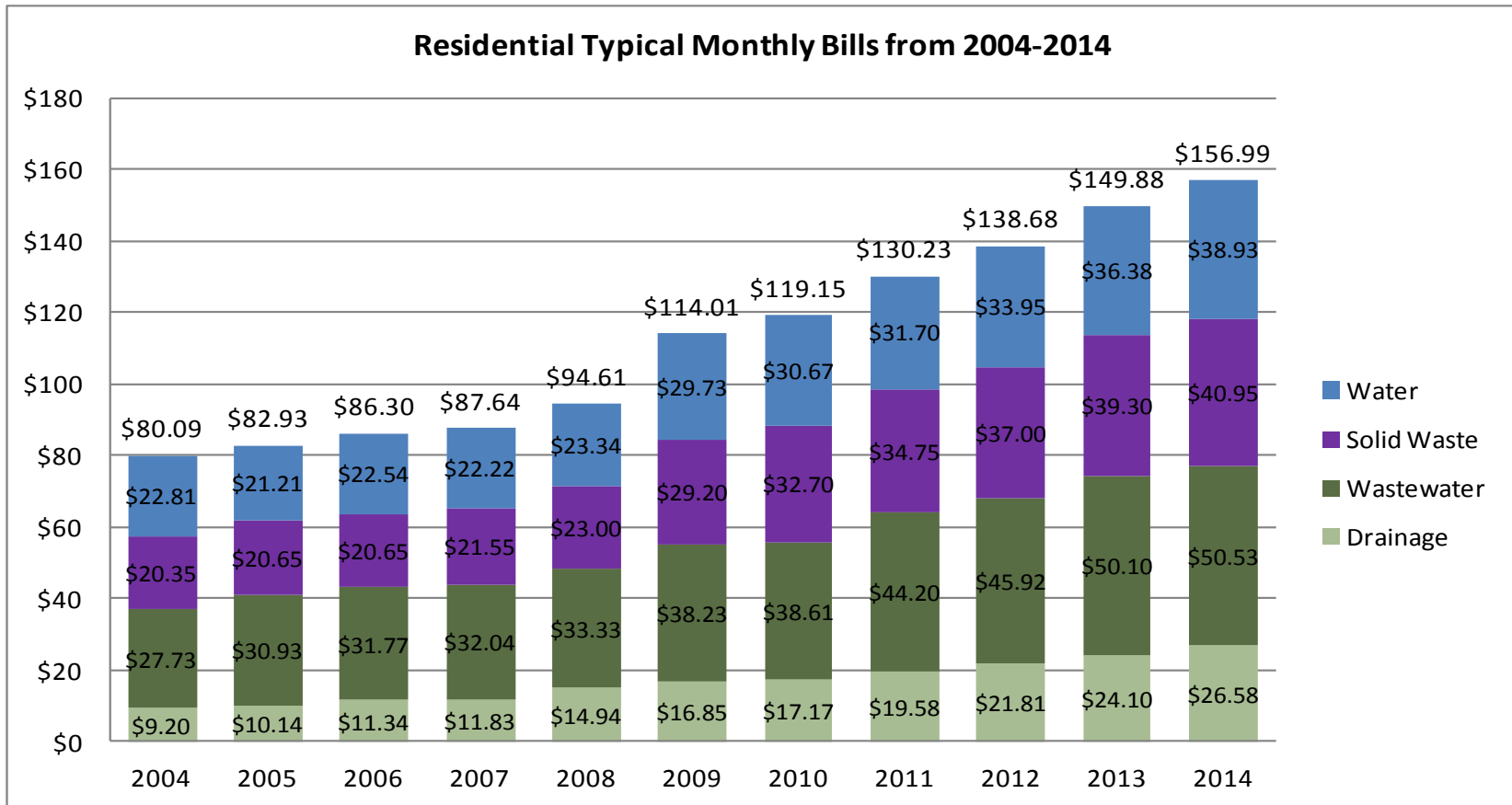
# Baseline Discussions

## *What We'll Do Next*

- Continue discussing baseline service levels
- Discuss Council staff analysis of the baseline
- Discuss options for applying excess cash reserves
- Get input from the Panel on the baseline assumptions
- Discuss “rate path” versus “rate revenue path”
- Present revised “dashboards” on the lines of business
- Continue the discussion on affordability
- Provide the draft Financial Baseline document

# Monthly Charges: Residential

Average annual increase of 7% over this period



# Regional Bill Comparisons

Our bills are higher than some other peers in part because we have made more of the investments required to meet mandatory regulatory requirements sooner than others.

## 2012 Typical Residential Customer Utility Bills

Utility Type	Seattle	Kirkland	Bellevue	Tacoma	Portland
Drainage	\$21.81	\$18.13	\$18.26	\$17.82	\$23.90
Wastewater	\$45.92	\$68.79	\$53.06	\$42.94	\$42.00
Solid Waste	\$37.00	\$22.02	\$19.24	\$36.55	\$32.40
Water	\$33.95	\$42.55	\$36.01	\$28.27	\$27.85
<b>Total</b>	<b>\$138.68</b>	<b>\$151.49</b>	<b>\$126.57</b>	<b>\$125.58</b>	<b>\$126.15</b>

# Affordability

- 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



# 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
  - Looked at rate caps (no increases above inflation; no increases above inflation plus 2%)
  - Chose instead to look holistically at costs and services, via a Strategic Business Plan

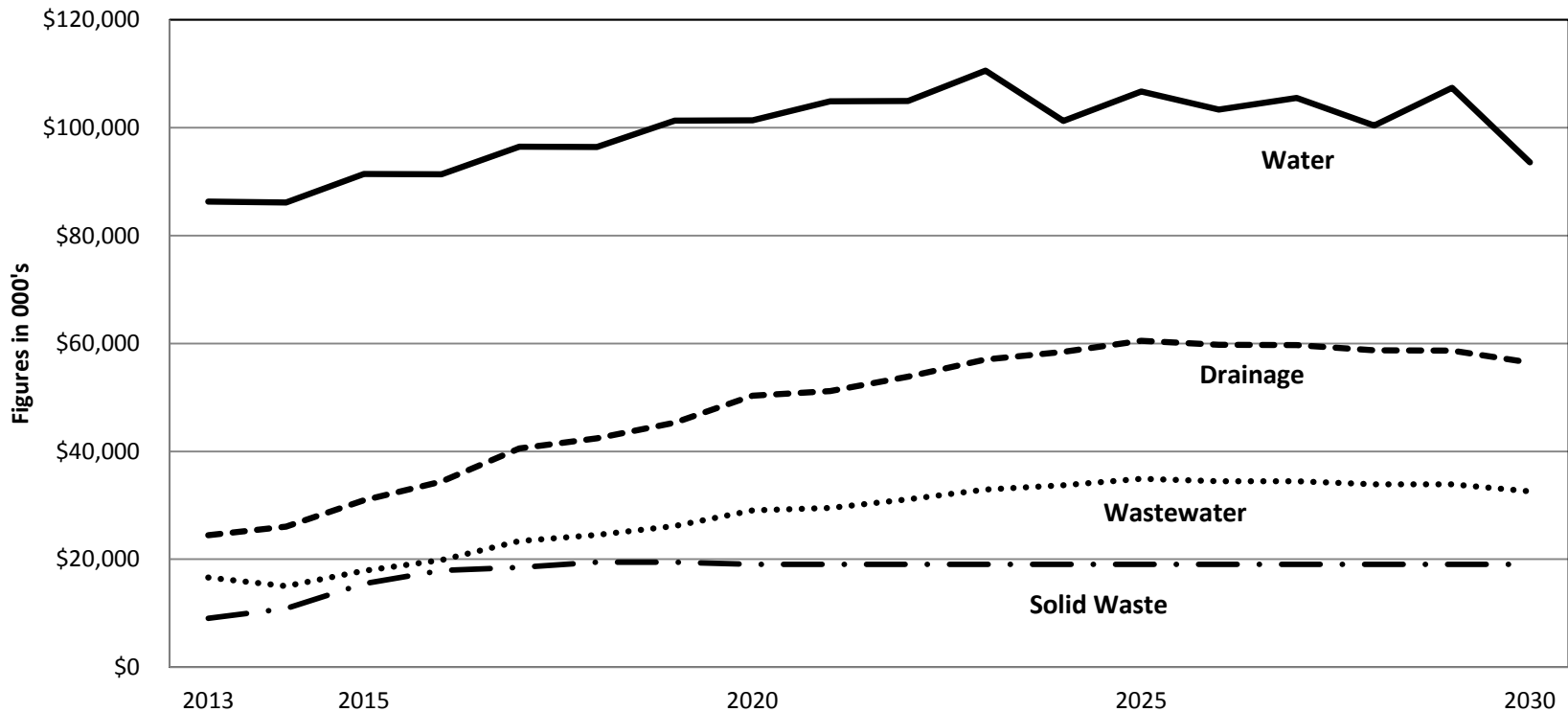
# Affordability: 5 Ways to Improve Affordability

- *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



# Affordability: Question to Panel

*Initial observations/reactions to baseline rate increase levels?*