

**SPU Strategic Business Plan Customer Review Panel
Follow-Up Baseline Questions**

From the August 20 Meeting:

1. Demand. What is your assumption on customer account growth?

See the Baseline Assumptions document.

2. Describe the service implications of an “inflation only” rate revenue path.

This will be completed later in the fall during the prioritization work.

3. Check the example customer charges information – did the wastewater and the water charges get reversed on the downtown hotel numbers (seems like wastewater charges should be higher than water)?

The wastewater and water charges have been updated for the downtown hotel and the large industrial customer examples.

From Aug. 20 - Chart below shows total monthly charges for example customers. Average annual changes range from ~~3.8%~~ 4.3% for a downtown hotel (with most charges on water and solid waste) to ~~4.3%~~ 5.9% for a large industrial customer (with most charges on water and drainage).

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Avg Annual Change</u>
Residential	\$163	\$168	\$176	\$187	\$198	\$207	4.7%
Convenience Store	\$657	\$680	\$718	\$750	\$784	\$814	4.4%
Downtown Hotel	\$13,419	\$13,845	\$14,506	\$15,221	\$16,065	\$16,687	4.3%
Downtown Hotel	\$47,307	\$48,340	\$49,701	\$52,842	\$56,026	\$57,772	3.8%
Large Industrial	\$39,000	\$40,689	\$43,267	\$45,892	\$49,219	\$52,190	5.9%
Large Industrial	\$152,343	\$156,755	\$163,031	\$172,484	\$183,719	\$191,066	4.3%

4. Describe the assumptions behind the relationships between water demand and wastewater demand; make sure that projections have kept pace with changes to actual.

See the Baseline Assumptions document.

Additional follow-up questions Panel members

1. How much money does the City receive from City Light's utility tax (pick a year that matches the data you provided on SPU taxes)?

2012 SCL \$41.6M
SPU \$73.6M

2. How big is the city's general fund (same year)?

2012 \$964.3M

3. What is the CPI-U forecast, annual average, in the baseline period? (How much general inflation are you predicting?)

Forecast of Seattle CPI-U, All items (1982-84=100)

Updated 3-4-13

	Index: <u>1982-84=100</u>	Annual <u>growth rate</u>
2000 (actual)	179.2	3.7%
2001 (actual)	185.7	3.6%
2002 (actual)	189.3	1.9%
2003 (actual)	192.3	1.6%
2004 (actual)	194.7	1.2%
2005 (actual)	200.2	2.8%
2006 (actual)	207.6	3.7%
2007 (actual)	215.656	3.9%
2008 (actual)	224.719	4.2%
2009 (actual)	226.028	0.6%
2010 (actual)	226.693	0.3%
2011 (actual)	232.765	2.7%
2012 (actual)	238.663	2.5%
2013	242.349	1.5%
2014	247.771	2.2%
2015	253.685	2.4%
2016	259.870	2.4%
2017	266.052	2.4%
2018	272.321	2.4%
2019	278.727	2.4%
2020	285.275	2.3%

NOTE: CPI-U covers all urban consumers.

Source: U.S. Bureau of Labor Statistics; The Puget Sound Economic Forecaster, prepared by Conway Pedersen Economics, Inc.

4. What is the current rate you are getting on your most recent utility debt? (and what is the current weighted average of all outstanding debt)?

(\$ in thousands)

WF	2012	2.63%	\$238,770	Refunding
DWF	2012	3.64%	\$87,000	New
		3.05%	<u>\$133,090</u>	<u>Refunding</u>
		3.32%	\$220,090	Total
SWF	2011	4.80%	\$45,750	New

From Michael van Dyck, City of Seattle Investment/Debt Director:

Financial markets are currently undergoing a dramatic re-calibration as a result of the Federal Reserve announcing that it may soon reduce or end its bond purchase program, the primary reason why market interest rates have been unusually low over the past few years. Since early May 2013, long term rates have increased about 150 basis points (1.5%). As a consequence, the City's Investment/Debt Director and Financial Advisor recommend using a 5.5% rate assumption for planning 2014 borrowing.