

2021-2026 Rate Path Options

Second Presentation to the CRP

March 20, 2020



Purpose of this Presentation

- Review SPU's Rate Path
- Drivers and Assumptions that impact the Rate Path
- Updated King County Wastewater Treatment Rate Proposal
- Next steps



Adopted 2018-2023 SBP Rate Path

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2018-23</u>
Water	2.0%	2.5%	3.7%	5.0%	4.1%	5.0%	3.7%
Wastewater	4.1%	8.1%	9.9%	8.9%	1.3%	2.6%	5.8%
Drainage	10.7%	9.2%	9.7%	9.9%	7.9%	4.7%	8.7%
Solid Waste	3.1%	3.3%	4.0%	3.0%	3.8%	2.8%	3.4%
Combined	4.3%	5.7%	7.0%	6.8%	3.7%	3.6%	5.2%

September 2017



Adopted 2018-2023 SBP Rate Path with Revised SW Rates

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2018-23</u>
Water	2.0%	2.5%	3.7%	5.0%	4.1%	5.0%	3.7%
Wastewater	4.1%	7.4%	7.4%	7.4%	4.5%	2.4%	5.5%
Drainage	10.7%	8.0%	8.0%	8.0%	8.0%	9.0%	8.6%
Solid Waste	3.1%	3.3%	3.2%	2.9%	2.9%	3.1%	3.1%
Combined	4.3%	5.3%	5.6%	5.9%	4.6%	4.3%	5.0%



Approved rate legislation that is currently in effect

September 2019



Major Rates Assumptions

- Water Fund
 - Slightly declining demand (retail)
 - Low tap revenue growth
 - Updated wholesale revenues
- Drainage and Wastewater Fund
 - Slight declining demand
 - Wastewater treatment costs
- Solid Waste Fund
 - Contract costs +4.0%/year
 - No bond issuances
- All Funds
 - Lower bond interest rates
 - UDP is 3% of retail rate revenue
 - No changes to the regulatory environment
- CIP Accomplishment Rate
 - 85% Water Fund
 - 85% DWF (95% Ship Canal & Sediments projects)
 - 90% Solid Waste



Drivers Affecting the Rate Path

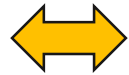
Current Rate Path: 5.0%



Cash Reserves



CIP Accomplishment Rate



CIP Review



O&M Review



Revised King County Treatment Assumptions

Rate Driver - Operating Cash Balances (\$M)

	2019	2020		
(\$M)	Year End	Targets	Year End Proj.	Variance
WF	\$ 127	\$ 75	\$ 105	\$ 30
DWF	\$ 243	\$ 80	\$ 194	\$ 114
SWF	\$ 71	\$ 25	\$ 71	\$ 46



Operating Cash Balance Follow Up

- Benchmarking
 - Limited use as utilities tend to be unique
 - Wholesale and retail components
 - Treatment and conveyance
 - Tax rates versus General Fund contributions
- Going Forward
 - Continue to review and present approaches at future meetings



2021-2026 Rate Projections (original baseline)

Baseline with Original King County Treatment Rate Projections

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2021-26</u>
Water	2.7%	2.7%	3.1%	4.4%	5.5%	5.8%	4.0%
Wastewater	7.3%	2.4%	2.8%	2.7%	2.6%	5.0%	3.8%
Drainage	8.0%	9.5%	3.8%	2.9%	3.0%	9.1%	6.0%
Solid Waste	2.9%	2.9%	2.2%	2.2%	2.1%	2.2%	2.4%
Combined	5.3%	3.8%	2.9%	3.0%	3.2%	5.2%	3.9%

 Approved rate legislation that is currently in effect

February 2020



Initiatives in the Rate Path

LOB	Title
Water	Update to Fund Opportunity Infrastructure Work that Supports Transportation Projects Update to Expand Maintenance of the Water Distribution System Asset Management/Aging Infrastructure Seismic Resilience Planning
DWW	Side Sewer Assistance Expansion of Sewer Rehabilitation Work Expansion of Drainage Work Expansion of Rehabilitation of Pump Stations and CSOs
SW	Increase Focus on Waste Prevention Continue Efforts to Divert Waste
Facilities	North Operations Complex DWW South Operations Center Cedar Falls Phase 2 SMT Space Utilitization



2021-2026 Rate Projections (revised baseline)

Baseline + Initiatives + Updated King County Wastewater Treatment Rate

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2021-26</u>
Water	2.7%	2.7%	3.1%	4.4%	5.6%	5.8%	4.0%
Wastewater	9.8%	0.0%	6.3%	0.4%	6.6%	5.8%	4.8%
Drainage	9.2%	8.3%	2.3%	3.6%	6.1%	8.3%	6.2%
Solid Waste	2.9%	2.9%	2.2%	2.2%	2.1%	2.2%	2.4%
Combined	6.4%	2.7%	3.9%	2.3%	5.2%	5.3%	4.3%

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March 2020



Going Forward

April CRP Meeting

Follow-up from previous meeting + updated rate path scenarios