

Minutes
Seattle Water Supply System Operating Board
June 5, 2014
2:00 – 4:00 p.m.

Mercer Island Council Chambers
9611 SE 36th Street
Mercer Island, WA 98040
Phone: (206) 236-5300

<u>Board Members</u>	<u>Board Alternates</u>	<u>Wholesale Utility Representatives</u>	<u>SPU Attendees</u>	<u>Other Attendees</u>
Nancy Ahern Byron Murgatroyd Ron Little Ray Hoffman Matt Everett Ron Sheadel	Lynne Danielson Steve Moye Ron Speer Judi Gladstone	Mike Harris Terry Olson Mark Parsons Diane Pottinger Trudy Rolla Terry Smith Dick Swaab	Terri Gregg Regina Carpenter Joan Kersnar Bruce Flory	Walt Canter Denny Clouse Charlotte Haines Tom Hoffman Pam Martin Steve Pfaff Jim Rick Ron Ricker John Thompson Jerry Thornton Larry West Francie Lake Richard Cuthbert Melanie Hobart Dan Enrico Fernando Platin

- **Welcome and Introductions**
- **Minutes/Agenda**
 - The May 1, 2014 minutes was approved as written with minor changes.
 - The agenda for the June 5, 2014 meeting was accepted as written.
- **Old Business**
 - 2015-2020 CFP Questions** **(Attachment 2)**

Attached is SPU's response to the list of questions submitted at the May 1st, 2014 OB meeting on the 6-year CFP.

 - Byron Murgatroyd, Small Category OB requested that each year of the CFP review include the number from the prior year in the spreadsheet.
 - Nancy Ahern, OB Chair commented that members asked in the future what big ticket items they would like to see on the CFP.

- Ron Sheadel, Medium Category OB member requested to review the Tom Gould retreat on Policy Governance at a future meeting to remind everyone of the role of the Operating Board and the staff's role.

- **New Business**
 - **2015-2017 Wholesale Rates** **(Attachment 3)**
 Regina Carpenter, Sr. Economist provided the preliminary regional rate study report with a power point presentation. Current preliminary results show rates going down 8% in 2015 and holding flat for 2016 and 2017. The demand forecast that was presented in April 2014 has not changed. The seasonal differential is going down by \$0.13/ccf and the ratio of peak to off-peak rates is being held constant. The differential is decreasing due to the decrease in rates. Some discussion followed the presentation on seasonal differential and an inquiry on making a change to it. A response included that there would be winners and losers with any rate structure change and Seattle was not going to look into a change this rate study period.

 The final tabled topic (Effect of prior year consumption adjustments) was also covered verbally and with a handout provided at the meeting.
 - **Rate Study Consultant Review**
 Richard Cuthbert of Cuthbert Consulting handed out a flow chart depicting the revenue requirements by Cost Pools. He mentioned that the demand model being used for the current rate study is a reasonable forecast. Regarding the rate study he had not yet confirmed the magnitude of the rate decrease but would be back in July to report his findings.
 - **Final Review of the 2015-2020 CFP** **(Attachment 4a & b)**
 Joan Kersnar, Drinking Water Planning Manager provided the latest small changes to the 6-year CFP. Ms. Kersnar said the CFP will be submitted to the Mayor's office at the end of June 2014 and then will be submitted to City Council for council review in September 2014 with a final approval process scheduled for November 2014. Joan noted that 2014 projections changed for most projects, with a net increase of \$53K. An inquiry was made on what happens if a project goes over its budget. SPU's process is if a project costs increase by more than 10% or \$1M, or the schedule slips by more than 6 months, or the scope changes significantly, then the project goes through an internal review process to approve the change. Also, if a project is projected to go over the approved budget by \$1M or a budget control level (a grouping of projects) is projected to go over by more than 10%, then a supplemental request is made to the City Council before the expense is made. Joan also went over cost changes for Morse Lake Pump Plant, Watershed Road Improvements and Freshwater Conservation (Ballard Locks). Joan clarified that the sum of previous years actuals are for those projects listed for the current capital plan and does not include projects that have been completed since the last CFP.

After some further discussion, the OB was asked to approve the draft CFP. A motion was made by Ron Sheadel, Medium Category OB member to approve this year's 6CFP, the motion was seconded by Matt Everett, Large Category OB member and the OB approved the motion by a vote of 6-0.

- **Morse Lake Pump Plant Project Update**
Dan Enrico, Project Manager, began his presentation with a model of the new Morse Lake Pump Plant. The presentation included the current project scope, schedule and budget for the MLPP project. The project will be at the 90% design phase by August 2014 and the PM anticipates the schedule will hold with advertising by September 2014 with a notice to proceed by January 2015. The current schedule shows substantial completion by the end of 2015.
- **Executive Summaries and Other Business**
 - June 2nd, 2014 Water supply update
- **Future Meetings**
 - July 3, 2014 – Canceled – Rescheduled to July 10, 2014
 - August 7, 2015 – Tentative
 - September 4, 2014
- **For the Good of the Order**
 - Byron Murgatroyd – Small Category OB member inquired about when the OB would see the quarterly financial reports. Regina Carpenter commented that they would potentially see them in September of 2014.
- **Public Comment Period**
No comments provided
- **Material Presented**
 - Wholesale Rate Setting – Preliminary Regional Rate Study Results and Remaining Impact Study Inputs – power point presentation
 - Wholesale Rate Study 101 – Tabled Topics
 - Draft 2015-2020 CFP
 - CIP Regional Projects Crosswalk with Budget
 - Responses to 6 year CFP questions
 - Morse Lake Pump Plant Project – Status Update power point presentation

Board Meeting Adjourned @ 4:00PM

Approved by:

Chair, Nancy Ahern
Seattle Water Supply System Operating Board

Date