

# Seattle Public Utilities

## Wholesale Rate Study 2018-2020

*November 3, 2016*



# Rate Setting Process

## IV.G. Rate Adjustment

1. Rate Adjustment. Upon 120-days notice of its intent to do so (except for rates effective January 1, 2002, for which 45 days notice would be provided), Seattle may adjust water service rates and FCs to Water Utility subject to the terms of this contract. Rate adjustments will be effected only within five years of the completion of a cost of service study to be conducted by Seattle which shall include an analysis of the allocation of operation, maintenance and capital costs between cost pools. Such study shall be prepared in accordance with accepted industry standards. In addition, Seattle shall review the Operating Board's comments and recommendations on the rate proposal and provide a written explanation of any recommendations that are not accepted.

# Rate Setting Process

## IV.G. Rate Adjustment (continued)

2. Rate Consultant. An independent rate consultant shall be selected by Seattle in consultation with the Operating Board. Detailed information and progress reports from the consultant will be made to Water Utility during the course of the study upon drafting of each major study section directly affecting Water Utility and other Wholesale Customers. A final consultant report shall be made available to Water Utility not less than 30 days before Seattle formally transmits any resulting rate adjustment proposal to the Operating Board.

# Preliminary Schedule

4Q 2016	<ul style="list-style-type: none"><li>▪ Solicit input for selection of Rate Consultant</li><li>▪ Develop scope of work for Rate Consultant</li></ul>
1Q 2017	<ul style="list-style-type: none"><li>▪ Review Wholesale Finance Workshop topics<ul style="list-style-type: none"><li>• O&amp;M</li><li>• CIP/Assets</li><li>• Demand</li><li>• Effect of 2015-2017 True Up balance</li><li>• Facilities Charge Transfers</li></ul></li></ul>
2Q 2017	<ul style="list-style-type: none"><li>▪ Present results of O&amp;M and Asset allocations</li><li>▪ Present resulting rates, including effect of demand and true up balances</li></ul>
3Q 2017	<ul style="list-style-type: none"><li>▪ Additional items as needed</li></ul>

# Independent Rate Consultants

HDR	<ul style="list-style-type: none"><li>▪ Developed and presented recent Wholesale Financial Workshop</li><li>▪ Familiar with Wholesale Contracts</li><li>▪ Extensive industry experience in rate setting</li></ul>
Richard Cuthbert	<ul style="list-style-type: none"><li>▪ Performed review of 2015-2017 Wholesale Rate Calculation</li><li>▪ Familiar with Wholesale Contracts</li><li>▪ Extensive industry experience in rate setting</li></ul>
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# Rate Consultant Scope

- Overview of wholesale costs and rate setting as defined in the Wholesale Contracts
- Verification that rate study complies with above
- Includes Block costs, Full & Partial rates, East and Southwest subregional rates
- Includes Preliminary and Final Reports & Presentations
- Use professional judgment as to the direction of the rate study review
  - Asked to check for reasonableness of and consistency in inputs such as demand projections and budgeted spending
  - Does not include independent development of demand projections