

Ordinance No. 124050

Council Bill No. 117521

AN ORDINANCE relating to wastewater services of Seattle Public Utilities; amending Section 21.28.040 of the Seattle Municipal Code to adjust the wastewater volume rate; and amending Subsection 21.76.040 A of the Seattle Municipal Code to adjust credits to low-income wastewater customers.

Related Legislation File: _____

Date Introduced and Referred: 7.16.12	To: (committee): Libraries, Utilities + Center
Date Re-referred: 10.1.12	To: (committee): Budget
Date Re-referred:	To: (committee):
Date of Final Action: 11.19.12	Date Presented to Mayor: 11.20.12
Date Signed by Mayor: 11/20/12	Date Returned to City Clerk: 11/27/12
Published by Title Only <input checked="" type="checkbox"/>	Date Vetoed by Mayor:
Published in Full Text	Date Passed Over Veto:
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The City of Seattle – Legislative Department

Council Bill/Ordinance sponsored by: J. [Signature]

Committee Action:

Date	Recommendation	Vote
11.7.12	Pass as Amended	8-0
	TB, SB, SC, RC, JG,	
	BN, NL, MD	

This file is complete and ready for presentation to Full Council.

Full Council Action:

Date	Decision	Vote
11.19.12	Passed	9-0

LAW DEPARTMENT

CITY OF SEATTLE
ORDINANCE 124050
COUNCIL BILL 117521

AN ORDINANCE relating to wastewater services of Seattle Public Utilities; amending Section 21.28.040 of the Seattle Municipal Code to adjust the wastewater volume rate; and amending Subsection 21.76.040 A of the Seattle Municipal Code to adjust credits to low-income wastewater customers.

WHEREAS, the wastewater volume rate was last increased on January 1, 2012, as authorized by Ordinance 123449 to pass through increased King County treatment costs; and

WHEREAS, Seattle Public Utilities (SPU) has identified wastewater infrastructure needs requiring additional capital funding; and

WHEREAS, SPU has completed a rate study showing that existing wastewater volume rates will not provide sufficient revenues to pay debt service and the costs of providing wastewater services; and

WHEREAS, credits for qualified low-income customers not billed directly by SPU for water or wastewater services are based on typical residential bills, and credits for such customers need to be revised to reflect changes in the wastewater volume rate; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Subsection 21.28.040 B of the Seattle Municipal Code is amended as follows:

21.28.040 Wastewater volume charge.

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B. The wastewater volume rate shall be the sum of the treatment rate and the system rate, as follows:

1. Treatment rate: The "treatment rate" shall be the rate required to pay the wastewater share of "treatment cost" which is the cost of wastewater treatment, interception and disposal services and any associated costs required to meet Drainage and Wastewater Fund financial policies. The treatment rate shall be the amount obtained when (a) the projected wastewater treatment cost is divided by (b) the projected billed wastewater consumption, each for the next calendar year, and the result is multiplied by ~~((one hundred sixteen and nine tenths percent ()))~~ 116.9((%)) percent to cover the costs of taxes and low income rate assistance. The projected treatment cost shall be the treatment cost anticipated for the upcoming calendar year, which may include an adjustment to reflect the difference, whether positive or negative, between the total expected treatment cost for the current year and the total wastewater volume charge revenues attributable to the treatment rate expected for the current year. The treatment rate is designed to pass through cost changes driven by King County and may be adjusted by ordinance at any time in response to such charges.

2. System rate: The "system rate" shall be the rate required to pay the cost of carrying and discharging all wastewater and any wastewater funded-share of stormwater into the City



sewerage system, as presently maintained and operated and as may be added to, improved and extended.

3. The wastewater volume rate per CCF shall be in accordance with the following schedule:

	<u>Effective</u> <u>Jan. 1,</u> <u>2010</u>	<u>Effective</u> <u>Jan. 1,</u> <u>2011</u>	<u>Effective</u> <u>Jan. 1,</u> <u>2012</u>	<u>Effective</u> <u>Jan. 1,</u> <u>2013</u>	<u>Effective</u> <u>Jan. 1,</u> <u>2014</u>	<u>Effective</u> <u>Jan. 1,</u> <u>2015</u>
Treatment Rate	\$6.03	\$6.01	\$6.94	\$6.88	\$6.91	\$6.96
System Rate	\$2.95	\$3.34	\$3.74	\$3.96	\$4.06	\$4.15
Wastewater Volume Rate	\$8.98	\$9.35))	\$10.68	\$10.84	\$10.97	\$11.11

* * *

Section 2. Subsection 21.76.040 A of the Seattle Municipal Code is amended as follows:

21.76.040 Utility low income rate assistance.

A. Drainage, Wastewater, and Water. Persons qualified by the Human Services Department as eligible recipients of low income utility credits provided for in Section 21.76.010 (eligible recipients) shall be granted low income billing credits in the following amounts:



1
2 1. Wastewater. Eligible recipients billed directly by Seattle Public Utilities for wastewater
3 services and residing in single-family dwellings shall receive a credit equal to 0.5 times the total
4 current wastewater volume charge. Eligible recipients not billed directly by Seattle Public
5 Utilities for wastewater services shall receive the following credits based on dwelling type:
6

Effective Date	Single-family and duplex	Multifamily dwelling
(-- January 1, 2010	\$23.35 per month	\$16.16 per month
January 1, 2011	\$26.73 per month	\$18.50 per month))
January 1, 2012	\$27.77 per month	\$19.22 per month
<u>January 1, 2013</u>	<u>\$23.31 per month</u>	<u>\$16.26 per month</u>
<u>January 1, 2014</u>	<u>\$23.59 per month</u>	<u>\$16.46 per month</u>
<u>January 1, 2015</u>	<u>\$23.89 per month</u>	<u>\$16.67 per month</u>

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14 At the time of a change to the wastewater volume rate described in SMC 21.28.040, the Director
15 of Seattle Public Utilities shall calculate new credits based on dwelling type for eligible
16 recipients not billed directly by Seattle Public Utilities. The credit for Single-family and duplex
17 customers shall be 0.5 times the wastewater volume rate multiplied by ~~((5.2))~~4.3 CCF, which is
18 typical single family residential sewer billed consumption. The credit for Multifamily dwelling
19 customers shall be 0.5 times the wastewater volume rate multiplied by ~~((3.6))~~3.0 CCF, which is
20 typical multifamily sewer billed consumption.
21

22
23 * * *


24 Section 3. The provisions of this ordinance are declared to be separate and severable. If
25 a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having
26 run, finds any provision of this ordinance to be invalid or unenforceable as to any person or
27



1 circumstance, then such provision or provisions shall be null and severed from the rest of this
2 ordinance with respect to the particular person or circumstance. The offending provision with
3 respect to all other persons and all other circumstances, as well as all other provisions of this
4 ordinance, shall remain valid and enforceable.

5 Section 4. This ordinance shall take effect and be in force 30 days from and after its
6 approval by the Mayor, but if not approved and returned by the Mayor within ten days after
7 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.


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9 Passed by the City Council the 19th day of Nov., 2012, and signed by me in
10 open session in authentication of its passage this 19th day of Nov., 2012.

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13 
14 President _____ of the City Council

15 Approved by me this 26th day of Nov., 2012.

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17 
18 Michael McGinn, Mayor

19 Filed by me this 27th day of Nov., 2012.

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21 
22 Monica Martinez Simmons, City Clerk

23
24 (Seal)



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Seattle Public Utilities	Maria Coe 233-7905	Karl Stickel 684-8085

Legislation Title:

AN ORDINANCE relating to wastewater services of Seattle Public Utilities; amending Section 21.28.040 of the Seattle Municipal Code to adjust the wastewater volume rate; and amending Subsection 21.76.040 A of the Seattle Municipal Code to adjust credits to low-income wastewater customers.

Summary of the Legislation:

This ordinance adopts 2013, 2014, and 2015 wastewater rates and adjusts the low-income assistance credits for wastewater customers.

Background:

Wastewater rates were last raised on January 1, 2012. The costs of wastewater services are supported by rates charged to wastewater customers. These rates are set in accordance with financial policies adopted by the City Council. The Utility has completed a rate study showing that existing rates will not provide sufficient revenues to fund planned infrastructure investment and new operating programs to be implemented between 2013 and 2015 including combined sewer overflow projects at Windermere, Genesee, and South Henderson, the Long Term Control Plan, and utility relocation and replacement work at the Alaskan Way Viaduct. Rate increases in 2013 through 2015 are required to pay these additional costs.

A complete description of the 2013-2015 rate package is contained in the 2013-2015 Drainage and Wastewater Fund Rate Study, which is attached to this fiscal note.

Please check one of the following:

This legislation does not have any financial implications.

This legislation has financial implications.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2012 Revenue	2013 Revenue
Drainage and Wastewater Fund	Seattle Public Utilities	Wastewater Utility Services	\$0	\$338,734



44010				
TOTAL			\$0	\$338,734

Revenue/Reimbursement Notes:

The 2013 revenues are the additional revenues resulting from the increase in SPU's wastewater rates.

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
No
- b) **What is the financial cost of not implementing the legislation?**
The Drainage and Wastewater Fund would not fully recover the cost of its business operations.
- c) **Does this legislation affect any departments besides the originating department?**
Several City departments have facilities that incur wastewater. These facilities' costs will increase commensurate with the rate increases proposed in this legislation. The impacted departments include: Seattle Center, Seattle City Light, the Department of Neighborhoods, the Seattle Department of Transportation, the Department of Finance and Administrative Services, the Department of Parks and Recreation, and the Seattle Public Library.
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?**
Not raising the rates at this time would result in the Drainage and Wastewater Fund failing to recover the cost of its operations in accordance with its financial policies. Alternatively, the Fund could meet its financial policies without raising rates by cutting the cost of its operations by the amounts shown above; however, this would result in an inability to pay for basic operations or make important investments in the system.
- e) **Is a public hearing required for this legislation?**
No.
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
None.
- g) **Does this legislation affect a piece of property?**
No.
- h) **Other Issues:**

List attachments to the fiscal note below:

Exhibit A: Seattle Public Utilities 2013-2015 Drainage and Wastewater Fund Rate Study.





Seattle Public Utilities
Drainage and Wastewater Fund
2013-2015 Rate Study
JUNE 2012

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APPENDIX A – KING COUNTY SEWERAGE TREATMENT RATE

APPENDIX B – FINANCIAL STATEMENT

APPENDIX C – DATA TABLES

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APPENDIX E – COMPARATIVE RATES

I. EXECUTIVE SUMMARY

The Drainage and Wastewater Utility provides wastewater and stormwater management services to residences and businesses in the City of Seattle. It is supported almost entirely by utility fee revenue. For wastewater, Seattle Public Utilities (“SPU”) collects charges based on metered water usage via the SPU combined utility bill. For drainage, SPU charges City of Seattle property owners fees based on property characteristics contributing to stormwater runoff. The drainage fee appears as a line item on King County property tax bills. Wastewater and drainage rates consist of a system component, set to recover SPU expenses, and a treatment component, set to recover payments to King County and Southwest Suburban Sewer District, whose facilities treat the wastewater conveyed by SPU’s system.

Wastewater and drainage rates were last increased on January 1, 2012, when wastewater rates were increased by 3.9 percent and drainage rates were increased by 11.4 percent.

Since 2008, a percentage of the costs associated with the combined stormwater and wastewater system (“Combined System”), previously assigned solely to wastewater, have been recovered through drainage rates in order to recognize that a portion of these costs support the drainage system.

Rate increases for both drainage and wastewater will be necessary in 2013, 2014, and 2015 for the Drainage and Wastewater Enterprise Fund (“DWF”) to cover increasing operating and capital expenses, which are required to address significant needs for both systems. Cash and debt financing of new capital projects is a major driver of rates for both drainage and wastewater. Some of the major capital programs proposed for 2013- 2015 are:

- Flooding Control and Sanitary Sewer Capacity
- Windermere, Genesee, Henderson Combined Sewer Overflow (CSO)
- CSO Long Term Control Plan
- Sewer Pipe Rehabilitation

In June 2012, King County approved a 10.2 percent increase for the 2013 sewerage treatment rate. The impact of this increase on the wastewater and drainage rates is discussed in Appendix A. Per Seattle Municipal Code, 21.28.040, the King County treatment rate is adopted via the “pass-through mechanism.” As a result, legislation adjusting City of Seattle rates for the King County treatment rate will be submitted separately.

The total projected DWF direct service rate revenue requirement is \$291.4 million in 2013, \$298.2 in 2014, and \$306.4 million in 2015. In order to satisfy these revenue requirements, the typical monthly residential wastewater bill will require an increase of \$0.77 in 2013, \$0.56 in 2014, and \$0.47 in 2015. Also, the typical monthly residential drainage fee will need to increase by \$2.17 in 2013, \$2.40 in 2014, and \$2.60 in 2015.

The proposed rate increases will allow the DWF to meet or exceed all financial policy targets in 2013, 2014, and 2015. Table I-1 presents the annual revenue requirements and the monthly impact of the proposed fees for different drainage customers and the typical residential wastewater customer.

Table I-1
Proposed Drainage & Wastewater Revenue Requirement and Bill Impacts

	2012	2013 Proposed	2014 Proposed	2015 Proposed
--	------	---------------	---------------	---------------



	Projected		Change from 2012		Change from 2013		Change from 2014
Revenue Requirement (\$M)¹							
Wastewater ²	\$214.0	\$211.4	(\$2.5)	\$210.3	(\$1.1)	\$209.9	(\$0.4)
Drainage	\$74.7	\$79.9	\$5.2	\$87.8	\$7.9	\$96.5	\$8.7
Total DWF	\$288.7	\$291.4	\$2.6	\$298.2	\$6.8	\$306.4	\$8.3
Wastewater							
Rate per CCF ^{1,3}							
Treatment	\$6.94	\$6.88	(\$0.06)	\$6.91	\$0.03	\$6.96	\$0.05
System	\$3.74	\$3.98	\$0.24	\$4.08	\$0.10	\$4.14	\$0.06
Total	\$10.68	\$10.86	\$0.18	\$10.99	\$0.13	\$11.10	\$0.11
Typical Monthly Residential Bill ^{1,4}	\$45.92	\$46.70	\$0.77	\$47.26	\$0.56	\$47.73	\$0.47
Typical Monthly Drainage Bills¹							
Typical Residential (5,000-6,999 sq ft)	\$21.81	\$23.97	\$2.17	\$26.37	\$2.40	\$28.97	\$2.60
Convenience Store (8,700 sq. ft.)	\$54.08	\$60.07	\$5.99	\$66.06	\$5.99	\$72.58	\$6.52
Supermarket (125,000 sq. ft.)	\$776.04	\$863.13	\$87.09	\$949.19	\$86.07	\$1,042.86	\$93.67

Table I-1 Notes:

- 1) Wastewater and drainage revenue requirements, rates, and bill impacts assume no change in the King County treatment rate; however, King County in June 2012 approved a 10.2 percent increase in its 2013 treatment rate. Please refer to the Appendix A for an analysis of the drainage and wastewater rate impacts associated with this change.
- 2) Wastewater revenue excludes industrial surcharge.
- 3) "CCF" is an industry acronym for 'one hundred cubic feet' and is equivalent to 748 gallons.
- 4) The typical monthly residential wastewater bill is based on 4.3 ccf per month.

II. INTRODUCTION

The City of Seattle operates an integrated storm and sanitary sewerage system. Although funded through separate rate structures, the City's stormwater ("drainage") and sanitary sewer ("wastewater") systems share common infrastructure, administrative and maintenance services, debt financing, and financial budgeting and reporting systems.

SPU finances the acquisition, operation, and maintenance of Seattle's drainage and wastewater system through the DWF. An enterprise fund functions like a self-supporting business that must generate operating revenues, predominantly through user charges (or "rates"), which are sufficient to cover all operating costs and meet financial policy targets. Separate drainage and wastewater service charges, or rates, are the source of most revenues. Non-rate revenues include permit fee revenue, operating grants, capital grants, and contributions in aid of construction ("CIAC"). These non-rate revenues reduce the amount of revenue that must be recovered through rates.

Financial policies provide a guiding framework for DWF finances. The policies help determine how much revenue DWF must collect from its customers each year to remain financially healthy while meeting its financial obligations. In addition, financial policies:

- Shape the financial profile that DWF presents to lenders and other members of the financial community;
- Establish DWF's exposure to financial risk; and
- Allocate DWF's costs between current and future ratepayers.

DWF financial policies were adopted by City Council in 2003 by Resolution 30612. The policies and associated targets, as well as their importance are as follows:

Net Income

Net income should be generally positive. Positive net income is a contingency against projection variances and uncertainties regarding revenues. It is also a signal to bond rating agencies that the City is committed to establishing fees that cover costs.

Net income is projected to be positive for 2013, 2014, and 2015.

Debt Service Coverage Ratio

Debt service coverage should be at least 1.8 times debt service cost in each year on a planning basis. A higher debt service coverage ratio means that more revenue is available after debt payments are made. This reduces financial risk and provides more flexibility to respond to revenue shortfalls.

Projected coverage, including coverage for a new bond issue in 2014, is well above both the legal bond covenant requirement (1.25) and the policy target (1.80).

Operating Cash Balance

The year-end operating cash balance should be at least equal to one month's contract expenses. The purpose of the cash balance target is to have sufficient cash on hand to pay operating expenses, taking into account the lag between cash disbursements and cash receipts, and to provide a reserve against projection variances. Contract costs for treatment of sewage



and stormwater by King County is the DWF's largest expense, thus it is used as a proxy for the DWF cash balance target. In 2012, one month of treatment expenses is \$10.4 million.

Year-end cash balance projections are at or above the policy target.

Cash Contribution to the Capital Improvement Program (CIP)

The cash contribution to the CIP should be at least 25% of total CIP expenses based on a four-year average. This policy 1) helps to prevent a rapid increase in debt levels and 2) limits the escalation in the debt-to-asset ratio.

The four-year rolling average of cash contribution to the CIP is expected to be at least 25% for 2013, 2014, and 2015.

Debt to Asset Ratio

The ratio of debt to assets should not exceed 70%. This ratio is an indicator of reliance on debt for infrastructure financing. A high ratio suggests less flexibility, as a greater portion of each year's revenues is used to repay debt.

Over the rate period, the debt to asset ratio is expected to remain below the 70% threshold.

Variable Rate Debt

No more than 15% of total debt should be variable rate debt. A cap on variable rate debt balances the advantages of lower interest costs with the risk of unexpected increases in interest rates.

The DWF currently does not have any variable rate debt and does not have any plans to issue any variable rate debt.

Table II-1 presents DWF actual and projected performance of financial policy targets from 2011 to 2017.

Table II-1
DWF Financial Policy Performance 2011-2017
(\$ millions)

Policy	Target	2011 Actual	2012 Projected	2013 Proposed	2014 Proposed	2015 Proposed	2016 Estimated	2017 Estimated
Net Income	Generally Positive	\$17.2	\$10.4	\$11.4	\$10.0	\$9.9	\$22.5	\$23.1
Debt Service Coverage	1.8x	2.80	2.78	3.03	2.72	2.46	2.46	2.64
Cash Balance Year End	1 Month Treatment	\$29.3	\$24.3	\$16.2	\$10.3	\$10.2	\$10.2	\$9.7
	<i>Target</i>	<i>\$10.4</i>	<i>\$10.3</i>	<i>\$10.3</i>	<i>\$10.2</i>	<i>\$10.2</i>	<i>\$10.1</i>	<i>\$10.1</i>
Cash Financing of CIP	25% (4 year avg)	27%	28%	28%	27%	25%	25%	25%
Debt-to-Asset Ratio	Less than or equal to 70%	58%	62%	60%	63%	66%	68%	66%
Variable Rate Debt	Less than or equal to 15%	0%	0%	0%	0%	0%	0%	0%



III. REVENUE REQUIREMENTS

Financial policies provide a guiding framework for drainage and wastewater finances. The policies help determine how much revenue DWF must collect from its customers each year to remain financially healthy. In any year (on a planning basis), the desired revenue requirement is the lowest amount of money necessary to simultaneously satisfy all financial policies in that year. At this desired revenue, some financial policies may be exceeded, but none will be missed – the financial target that is met last is known as the “binding constraint.” For this 2013-2015 rate proposal, the binding constraint is the sum of cash required to meet year-end cash balance and CIP cash financing targets. The rates revenue requirement is equal to the total revenue requirement necessary to meet the binding constraint, less any non-rates revenues. Drainage and wastewater service fees (or “rates revenues”) typically account for over 95 percent of drainage and wastewater revenues. Non-rate drainage revenues include permit fees, miscellaneous operating revenues, interest income, operating grants, capital grants, and CIAC.

Tables III-1 and III-2 summarize the components of change in the drainage and wastewater revenue requirement for 2013, 2014, and 2015. The top sections of these tables present the components of expense which make up the total revenue requirement. The bottom section of the table presents other sources of funding which reduce the amount of expense which must be recovered through direct service rates. Following the tables below is a more detailed description of the components of change in the revenue requirement.

Table III-1
Components of the Change in the Wastewater Revenue Requirement
(\$ millions)

	2012 Rev Req	2013 Rev Req	2013 \$ Change	2014 Rev Req	2014 \$ Change	2015 Rev Req	2015 \$ Change
Expense							
Operations & Maintenance (O&M)							
Base O&M	\$41.7	\$47.1	\$5.5	\$48.3	\$1.2	\$49.2	\$0.9
New Operating Expense	\$0.0	\$0.1	\$0.1	\$0.5	\$0.4	\$0.9	\$0.4
Total	\$41.7	\$47.3	\$5.6	\$48.8	\$1.6	\$50.1	\$1.3
Treatment							
King County Treatment	\$138.0	\$137.3	(\$0.6)	\$136.8	(\$0.5)	\$132.5	(\$4.3)
Capital Financing							
Cash	\$20.0	\$22.5	\$2.5	\$24.4	\$1.9	\$12.4	(\$12.0)
Debt Financing	\$22.2	\$21.0	(\$1.2)	\$22.1	\$1.1	\$20.7	(\$1.4)
Total	\$180.1	\$180.8	\$0.7	\$183.2	\$2.4	\$165.5	(\$17.7)
Total Revenue Requirement	\$221.8	\$228.1	\$6.3	\$232.0	\$3.9	\$215.6	(\$16.4)
Other Funding Sources							
Non-Rates Revenue	(\$6.9)	(\$6.7)	\$0.2	(\$6.7)	\$0.0	(\$6.4)	\$0.3
Cash Balance	(\$0.9)	(\$3.8)	(\$2.9)	(\$2.5)	\$1.3	\$0.7	\$3.2
Total	(\$7.8)	(\$10.6)	(\$2.8)	(\$9.2)	\$1.3	(\$5.7)	\$3.5
Net Rates Revenue Requirement¹ Before Combined System Shift	\$214.0	\$217.5	\$3.5	\$222.8	\$5.3	\$209.9	(\$12.9)
Combined System	\$0.0	(\$6.1)	(\$6.1)	(\$12.5)	(\$6.4)	\$0.0	\$12.5
Net Rates Revenue Requirement¹ After Combined System Shift	\$214.0	\$211.4	(\$2.5)	\$210.3	(\$1.1)	\$209.9	(\$0.4)

Table III-1 Notes:

- 1) Total Net Rates revenue requirement does not include industrial surcharge.



Table III-2
Components of the Change in the Drainage Revenue Requirement
(\$ millions)

	2012 Rev Req	2013 Rev Req	2013 \$ Change	2014 Rev Req	2014 \$ Change	2015 Rev Req	2015 \$ Change
Expense							
O&M							
Base O&M	\$46.1	\$49.4	\$3.2	\$51.0	\$1.6	\$54.2	\$3.2
New Operating Expense	\$0.0	(\$0.2)	(\$0.2)	(\$0.4)	(\$0.2)	(\$0.3)	\$0.1
Total	\$46.1	\$49.2	\$3.0	\$50.6	\$1.4	\$53.9	\$3.3
Treatment							
King County Treatment	\$5.8	\$5.7	(\$0.0)	\$5.7	(\$0.0)	\$8.5	\$2.8
Capital Financing							
Cash	\$6.1	\$4.1	(\$2.0)	\$3.8	(\$0.3)	\$1.3	(\$2.5)
Debt Financing	\$23.7	\$26.4	\$2.7	\$27.6	\$1.3	\$35.7	\$8.0
Total	\$29.8	\$36.1	\$0.6	\$37.1	\$1.0	\$45.4	\$8.3
Total Revenue Requirement	\$81.7	\$85.3	\$3.6	\$87.7	\$2.4	\$99.3	\$11.6
Other Funding Sources							
Non-Rates Revenue	(\$6.8)	(\$5.0)	\$1.8	(\$4.7)	\$0.3	(\$4.8)	(\$0.1)
Cash Balance	(\$0.1)	(\$4.1)	(\$4.1)	(\$3.0)	\$1.1	\$2.0	\$4.9
Total	(\$6.9)	(\$9.1)	(\$2.3)	(\$7.7)	\$1.5	(\$2.8)	\$4.9
Net Rates Revenue Requirement Before Combined System Shift	\$74.8	\$76.2	\$1.4	\$80.1	\$3.9	\$96.5	\$16.4
Combined System	\$0.0	\$3.7	\$3.7	\$7.7	\$4.0	\$0.0	(\$7.7)
Net Rates Revenue Requirement After Combined System Shift	\$74.8	\$79.9	\$5.1	\$87.8	\$8.1	\$96.5	\$8.7

Operations and Maintenance (O&M)

The drainage and wastewater O&M revenue requirement includes direct operating expense associated with managing sanitary sewer and stormwater programs (i.e., regulatory oversight, community outreach and education) and aggressively maintaining the system infrastructure, as well as a portion of DWF shared administrative expense. As operating expenses are budgeted for the DWF as a whole and not by line of business (wastewater or drainage), operating expenses must be assigned to each line of business in order to establish separate revenue requirements for rate-setting purposes. The factors used to assign expense between the two lines of business are periodically updated, which can result in changes in the share of expense paid by either wastewater or drainage.

The proposed O&M budget enables SPU to continue to provide core services to our customers, invest in critical capital assets, and meet our federal mandates. The large majority of SPU's adds allow us to comply with our CSO and stormwater regulatory requirements. This includes implementing the Capacity Maintenance Operations Management (CMOM) Roadmap for

\$750K, adding \$500K for developing an Integrated Plan, adding \$200K and staff to update and manage side sewer and drainage GIS data, and maintaining roadside rain gardens for \$300K starting in 2015. To offset these adds SPU is cutting the budgets of activities that are more discretionary and lower priority. Reductions that do not impact service levels include a one-time savings of \$285K in 2013 due to changes in monitoring requirements per the City's NPDES stormwater permit. Other reductions have some impact to service levels but do not impact compliance. This includes reducing cleaning stormwater pipes to the Duwamish River (\$100K), and reducing non-regulatory monitoring and performance evaluation of the drainage and wastewater system (\$88K). Reductions also include scaling back discretionary programs such as long-term strategic planning for the city's urban watersheds (\$167K), outreach and education related to policy changes, local flooding, NPDES permit requirements and water quality (\$319K), and corporate support activities.

Table III-3 summarizes the components of change in the wastewater and drainage rate revenue requirement for 2013 to 2015.



Table III-3
Proposed Changes in Base and New O&M Expenditures
(\$ millions)

	2013 Wastewater Increase	2013 Drainage Increase	2014 Incremental Wastewater Increase	2014 Incremental Drainage Increase	2015 Incremental Wastewater Increase	2015 Incremental Drainage Increase
Base O&M						
Inflation	\$1.5	\$1.5	\$1.2	\$1.2	\$1.8	\$1.8
Change in G&A Credit	\$0.3	\$0.6	\$0.7	(\$0.1)	(\$0.1)	\$0.4
Baseline Adjustments/Miscellaneous	\$3.4	\$0.3	(\$0.5)	(\$0.5)	(\$0.7)	(\$0.2)
Drainage/Wastewater Allocation Revisions	(\$0.2)	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0
Taxes	\$0.6	\$0.5	(\$0.2)	\$0.9	(\$0.0)	\$1.1
Sub-total Base O&M Expense	\$5.5	\$3.2	\$1.2	\$1.6	\$0.9	\$3.2
New O&M Expense						
Reductions	(1.1)	(1.4)	(0.8)	(1.2)	(0.8)	(1.2)
BIP-107 Shared - Corporate Cuts	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
BIP-108 Shared - Position Changes	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
BIP-109 DWF - Duwamish Source Control	0.0	(0.1)	0.0	(0.1)	0.0	(0.1)
BIP-110 DWF - Urban Watersheds	0.0	(0.2)	0.0	(0.2)	0.0	(0.2)
BIP-111 DWF - Below Ground Sewer Rat Baiting	(0.1)	0.0	(0.1)	0.0	(0.1)	0.0
BIP-113 DWF - WQ Monitoring and Spill Kits	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)
BIP-114 DWF - SOPA Non-NPDES Monitoring	0.0	(0.1)	0.0	(0.1)	0.0	(0.1)
BIP-116 DWF - Education and Outreach Reduction	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
BIP-117 DWF - Technical Cuts	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
BIP-121 DWF - CSO Consent Decree Negotiations	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
BIP-115 DWF - Regulatory Compliance	(0.2)	(0.1)	0.1	0.1	0.1	0.1
Adds	1.2	1.2	1.2	1.0	1.2	1.2
BIP-112 DWF - Green Stormwater Infrastructure	0.0	0.0	0.0	0.0	0.0	0.3
BIP-118 DWF - NPDES Side Sewer Mapping	0.2	0.0	0.2	0.0	0.2	0.0
BIP-119 DWF - NPDES Stormwater Code & Manual	0.0	0.3	0.0	0.1	0.0	0.0
BIP-120 DWF -Green Seattle Partnership	0.0	0.0	0.0	0.0	0.0	0.0
BIP-122 DWF - SOPA and Control Center Staffing	0.0	0.0	0.0	0.0	0.0	0.0
BIP-123 DWF - CMOM Consent Decree	0.4	0.3	0.4	0.3	0.4	0.3
BIP-125 Shared - Technical	0.3	0.4	0.3	0.4	0.3	0.4
BIP-303 DWF - Integrated Planning	0.3	0.2	0.3	0.2	0.3	0.2
Sub-total New O&M Expense	0.1	(0.2)	0.4	(0.2)	0.4	0.1
Total Change in Revenue Requirement	\$5.6	\$3.0	\$1.6	\$1.4	\$1.3	\$3.3

Table III-3 Notes:

- 1) National Pollutant Discharge Elimination System (NPDES)
- 2) System Operations Planning & Analysis (SOPA)
- 3) Capacity Management, Operations & Maintenance (CMOM)
- 4) Water Quality (WQ)

Base O&M Expense

The base O&M for 2013 is assumed to equal the spending required to support operations and maintenance functions budgeted under the 2012 Adopted Budget, including any adjustments identified to date. Base O&M does not include debt service which is discussed under capital financing.

Wastewater

The 2013-2015 wastewater O&M increases in each year primarily due to inflation and an increase in taxes associated with increased O&M and treatment costs. The G&A credit represents the cost of administrative and management support, which is paid or reimbursed by the capital program, acting as an offset to O&M.

Drainage

In this rate proposal, base drainage O&M increases in 2013-2015 due primarily to inflation and increased taxes as a result in shifting of O&M and treatment costs from wastewater to drainage.

New Operations and Maintenance Expense

The proposed 2013, 2014, and 2015 drainage and wastewater O&M additions support several new programs, along with addressing current regulatory requirements. SPU also proposes several programmatic cuts to help offset the rate impact of the new programs.

The net impact of the new O&M additions and reductions is net reduction of \$0.1 million in 2013, \$0.2 in 2014 and \$0.5 million in 2015.

In 2013, SPU is proposing a \$2.4 million increase in the 2013 DWF revenue requirement, to fund expanded and/or new operations programs, including NPDES side sewer mapping, NPDES stormwater code and manual updates, CMOM Consent Decree, Shared and Technical projects, and Integrated Planning.

For 2014 and 2015, SPU is proposing an additional \$2.2 million and \$2.4 million, respectively, in each year in the DWF revenue requirement for expenses associated with the aforementioned programs.

In an effort to offset the additional expenses, SPU is proposing cuts in all three years: \$2.5 million in cuts in 2013 and \$2.0 million in both 2014 and 2015. The impacted programs include Duwamish Source Control, Urban Watersheds, Regulatory Compliance, Education and Outreach, and internal cuts to Corporate and Technical departments.

Allocation Revision in Detail

Operating expenses are budgeted for the DWF as a whole and not by line of business (wastewater or drainage). Consequently, operating expenses must be assigned to each line of business in order to establish separate revenue requirements for rate-setting purposes. SPU has developed a series of factors to assign cost, by budget activity, to wastewater and to drainage.

The DWF budgeted O&M expenses include both line-of-business-specific expenses (e.g., water quality monitoring or wastewater treatment), as well as shared administrative and business support expense. Shared expenses are assigned to each line of business based on prior period actual direct labor expense or on management estimates (where labor expense is not appropriate).



As part of the current rate study, SPU reviewed the existing labor-based cost assignment factors and adjusted the allocation based on 2011 actual spending. While some branches saw increases in the wastewater share, the net cost shift as a result of this update was from wastewater to drainage.

Table III-4 presents a summary of 2011 cost assignment changes by branch.

Table III-4
Change in Drainage Share of DWF Base O&M Spending
(\$ millions)

Program	Total DWF	2011 Drainage		
		2009 Base	2011 Base	Change
Customer Service	\$6.2	\$1.9	\$1.8	(\$0.0)
Director's Office	\$2.0	\$1.1	\$1.0	(\$0.1)
Project Delivery	\$5.5	\$3.4	\$3.5	\$0.1
Pre-Capital Planning & Development	\$2.1	\$1.2	\$1.2	\$0.0
Field Operations	\$19.0	\$8.3	\$9.7	\$1.4
Finance & Administration/HR & Service Equity	\$10.7	\$5.4	\$5.4	(\$0.0)
Utility Systems Management	\$16.6	\$9.6	\$8.4	(\$1.2)
SPU General Expenses	\$2.6	\$1.6	\$1.6	(\$0.0)
Total Drainage	\$64.7	\$32.4	\$32.6	\$0.2

The change in allocation based on 2011 actual data shifts \$0.2 million from wastewater to drainage in base operations and maintenance spending.

Appendix D provides more detailed information on the cost assignment process.

Capital Financing Expense

DWF funds capital projects through a combination of cash (from direct service and non-rates revenue) and debt financing (revenue bonds).

Debt Service

SPU is projected to issue approximately \$70 million in new DWF revenue bonds in April 2014 and \$85 million in June 2015. These bonds are expected to fund a portion of drainage and wastewater capital improvements between April 2014 and December 2016. The 2014 bond issue will increase debt service beginning in 2014, which impacts 2014 wastewater and drainage rates, while the 2015 bond issue will not increase debt service until 2016.

Annual debt service is proportioned between drainage and wastewater based on the net book value of current fixed assets ("asset basis"). This methodology, which is similar to that used by SPU's Water and Solid Waste funds, correlates financing expense with the assets actually financed.

CIP Cash Financing

Financial policy targets are directed toward the financial performance of the total DWF fund. No formal, separate policy targets have been adopted for the drainage program or for the wastewater program. SPU meets financial targets by balancing revenue requirements and rate changes between wastewater and drainage.

Wastewater

In 2012, SPU opted to use excess cash to fund the CIP beyond the 25% requirement. As such, the 2012 additional cash contribution helps lower the contribution needed to meet the 25% four-year rolling average over the rate period. The proposed 2013 wastewater rate assumes a \$2.5 million increase in wastewater cash financing of the CIP from 2012 to 2013 due to an increase in the CIP.

For 2014 and 2015, the proposed wastewater rates assume a \$1.9 million increase and \$9.4 million decrease, respectively, in the wastewater cash financing of the CIP due to an increase in the cash financing of the CIP in 2014, which is partially offset by a decrease in CIP. In 2015, a lower cash-to-CIP contribution and lower CIP reduces the cash contribution.

Drainage

The proposed 2013 drainage rate increase assumes a \$2.0 million decrease in cash financing of the CIP from 2012 due to a decrease in the cash financing of the 2013 CIP.

For 2014 and 2015, the proposed drainage rates assume a \$0.3 million decrease and \$2.5 million decrease, respectively, in the drainage cash financing of the CIP due to a higher CIP cash contribution in 2014 and in 2015, a lower CIP and percent contributed to cash.

Table III-5 summarizes the drivers underlying these changes.

Table III-5
Change in Cash Financing of the CIP
(\$ millions)

	Wastewater			Drainage		
	2013	2014	2015	2013	2014	2015
Change in Cash Financing due to:						
Increase in CIP	\$9.0	(\$3.7)	(\$3.7)	(\$0.6)	(\$1.4)	(\$1.0)
Change in % Cash Contribution	(\$6.5)	\$5.6	(\$5.7)	(\$1.4)	\$1.2	(\$1.6)
Total Change from Previous Year	\$2.5	\$1.9	(\$9.4)	(\$2.0)	(\$0.3)	(\$2.5)

Table III-5 Notes:

- 1) For 2013 and 2014, an 85 percent accomplishment of the DWF CIP is assumed and in 2015, a 90 percent rate is assumed as projects move further into the final phases of construction, allowing for less deviation from the schedule.
- 2) The change in the cash financing of CIP due to the Combined System shift is incorporated under "Combined System Cost Allocation."



Use of Cash Balances

Revenue generated by rates is used to fund current operating expenses, maintain a cash balance as a safeguard against unexpected expense, and fund a portion of the current capital program. Net cash revenue is equal to total cash revenue less total cash expense and for a given year net cash revenue may be positive or negative. This differs from net income which includes non-cash items such as depreciation and amortization and excludes cash expenses such as debt service principal payments. A change in net cash revenue from one rate period to the next will impact the revenue requirement. An increase in total net cash revenue will drive a revenue requirement increase while a decrease will reduce the revenue requirement.

Wastewater

Extra cash in 2011 will be used to fund 2012 expenses associated with the consent decree, a voluntary agreement between the Environmental Protection Agency and the City to reduce combined sewer outfalls. The remainder will be used to reduce and smooth rates over the 2013-2015 period. As a result of the smoothing, wastewater revenue requirement will decrease \$2.9 million in 2013, as the fund spends down existing cash and increase \$1.3 million in 2014. In 2015, to generate net cash revenue sufficient to fund expenses and meet year-end cash targets, the revenue requirement increases \$3.2 million.

Drainage

Extra cash in 2011 will be used to fund expenses and smooth rates in 2013 and 2014. As a result of smoothing rates over the three year path, the drainage revenue requirement will decrease by \$4.1 million in 2013 to offset a larger-than currently projected rate increase in 2013. In 2014 and 2015, revenues will increase by \$1.1 million and \$4.9 million, respectively, to build cash balances back up to meet year-end targets.

Non-Rate Revenue

Non-rate revenue includes permit fees, operating and capital grants, contributions in aid of construction (CIAC), interest income and other miscellaneous revenues and capital contributions. An increase in non-rate revenues has the effect of reducing the revenue requirement that must be recovered through rates.

Wastewater

Non-rate revenues are expected to remain relatively flat during the 2013-2015 rate period. In 2013 and 2015, the small fluctuations are due to changes in expectations of grants received by the fund.

Drainage

Changes in non-rate revenues result in revenue requirement increases of \$1.8 million in 2013 as the result of a decline in anticipated grants. In 2014 and 2015, the utility expects to receive grant revenue equal to the amount received in 2013.

Combined System Cost Allocation

In 2008, the new drainage rate design methodology recommended that drainage rates fund a share of the expense associated with the combined portions of the drainage and wastewater system. Historically, these costs had been assigned entirely to the wastewater line of business. In reality, a portion of combined sewer pipes and combined sewer overflow (CSO) structures

support the drainage system. In order to avoid the impact of a one-time significant cost shift to drainage, a policy decision was made to phase in the sharing of combined system costs between wastewater and drainage that began in 2008, when one-sixth of the appropriate share of Combined System costs were allocated to drainage. In 2009, another one-sixth (for a total of two-sixths) was allocated to drainage rates and this allocation was held constant for 2010. Another one-sixth was shifted in each year of the 2011-2012 rate study. This proposal allocates an additional one-sixth in 2013 and the final one-sixth in 2014.

Wastewater

Shifting-in one-sixth of the allocation of combined system costs decreases the wastewater revenue requirement by \$6.1 million in 2013 and an additional \$6.4 million in 2014.

Drainage

Shifting one-sixth of the allocation of combined system costs increases the drainage revenue requirement by \$3.7 million in 2013 and an additional \$4.0 million in 2014.



IV. PROPOSED WASTEWATER RATE

Overview

City of Seattle residents pay a single fee per one hundred cubic feet (ccf) of wastewater based on water consumption. This single fee is composed of two components, a system rate and a treatment rate, which are adopted through two distinct processes. The system rate is proposed by the Executive and formally adopted by Council. In contrast, the treatment rate, which is adopted by King County, is presented to Council in the form of a memorandum and adopted outside of the formal rate study process as a 'pass-through'. As a reminder, this rate study assumes no change in the King County treatment rate; however, King County approved a 10.2 percent increase in its 2013 treatment rate. Under the proposed scenario, the treatment rate decreases as a result of the combined systems shift. Please refer to Appendix A for an analysis of the drainage and wastewater rate impacts.

Proposed 2013-2015 Wastewater Rates

Table IV-1 presents the proposed 2013 through 2015 wastewater rates.

Table IV-1

Proposed 2013-2015 Wastewater Rate (per CCF)

	2012	2013	2014	2015
	Adopted	Proposed	Proposed	Proposed
System Rate (SPU)	\$3.74	\$3.98	\$4.08	\$4.14
Treatment Rate (KC)	\$6.94	\$6.88	\$6.91	\$6.96
Total Wastewater Rate	\$10.68	\$10.86	\$10.99	\$11.10

Treatment Rate

Payments to King County¹ for wastewater treatment are the single largest component of both wastewater and total DWF operating expense. The inability to fully recover this expense through the wastewater rate could seriously impact DWF financial performance. To mitigate this risk the Council adopted Ordinance 122292, providing for an annual adjustment to the treatment rate when there is a change in the underlying cost drivers. The formula for this adjustment is defined in the ordinance, allowing for the treatment rate to be adopted outside of a normal rates process. The formula is as follows:

Projected wastewater treatment expense / Projected annual wastewater volumes

X

A 16.9 percent multiplier (to recover revenue reductions and revenue taxes)

Projected treatment expense includes an adjustment for cash lags in the full recovery of treatment expense in years in which there is a rate increase. For the purposes of this

¹ King County treats over 99 percent of the City's sewage. The Southwest Suburban Sewer District treats the remainder.

calculation, treatment expense excludes the portion of budgeted treatment expense associated with King County's High Strength Industrial and Contaminated Stormwater Surcharges. These expenses are recovered directly from applicable customers and not through the wastewater direct service rate.

The City recovers wastewater expense exclusively through a volume-based fee. However, the County charges a fixed rate per residential premise, while commercial water volumes are converted to a "Residential Equivalent Unit" (REU) and charged accordingly based on flow treated. Residential flows account for about 37 percent of total volumes (and therefore total City revenues). Charges for residential premises account for about 47 percent of total treatment expense paid to the County. Consequently, if the County treatment rate is held constant but Seattle billed wastewater volumes decline, the resulting decline in treatment expense will be less than the decrease in the City's wastewater revenues. Therefore, the annual pass-through mechanism provides for an increase in the treatment rate when volumes decline, even in the absence of a King County rate increase.

The 16.9 percent multiplier provides for the payment of revenue taxes on increased revenues generated to pay additional treatment expense. It also includes an allowance for customers paying less than the full rate (i.e. low income credits) and non-payments/delinquencies.

The rates presented in this section reflect no change in the King County treatment rate for 2013 through 2015; however King County approved a 10.2 percent increase in the 2013 treatment rate and any impact to SPU wastewater and drainage rates will be accomplished via the pass-through mechanism.

Table IV-2 presents the inputs underlying the calculation of the 2013 through 2015 treatment rate before the pass-through of the King County rate increase.



Table IV-2
2011-2012 SPU Treatment Rate Calculation
(\$ millions)

	2013	2014	2015
Treatment Expense (rates based)¹	\$115.4	\$113.7	\$113.1
Revenue lags/leads²	\$0.0	\$0.0	\$0.1
Net Cash Treatment Expense	\$115.4	\$113.8	\$113.2
Multiplier³	16.9%	16.9%	16.9%
Total Treatment Expense	\$134.9	\$133.0	\$132.3
Projected Volumes (100 ccf in 000's)	\$19.6	\$19.3	\$19.0
Treatment Rate per ccf⁴	\$6.88	\$6.91	\$6.96

Table IV-2 Notes:

- 1) Excludes high strength industrial surcharge component of King County treatment expense. This expense is charged directly to the applicable customers and not recovered through rates. Also excludes portion of treatment expense shifted to drainage as a result of the combined system cost shift.
- 2) December revenues collected in January. When there is a rate increase, assumes one month cash at old rate, 11 months at new rate.
- 3) The treatment multiplier recovers taxes and revenue lost to credits/non-payment. The projected SPU treatment rate assumes no change in the treatment multiplier of 16.9 percent.
- 4) Per resolution, treatment rate equals treatment expense divided by projected volumes.

SPU System Rate

The system component of the SPU wastewater rate is proposed by the Executive via rate studies and adopted through a normal Council process. The system rate recovers all other operating expense, including operations and maintenance expense, capital financing expense (debt service and cash), and related revenue taxes. This component of the rate is also set to ensure that financial policy targets are met in the case that the revenue required to meet the targets exceeds the revenue required to recover operating expense (see Section II of this proposal for more detail).

The current proposal assumes a wastewater system rate of \$3.98 per ccf in 2013, a \$0.24 per ccf increase compared with 2012, an increase of \$0.10 per ccf in 2014, and an increase of \$0.06 in 2015. The components of these increases are presented in Table IV-3.

Table IV-3
2013-2015 Wastewater System Expense
 (\$ millions)

	2013	2014	2015
Net Revenue Requirement	\$211.4	\$210.3	\$209.9
Revenue lags/leads	\$1.5	\$1.1	\$1.1
Less Unadjusted Treatment Expense	\$117.0	\$115.3	\$114.6
Less Tax	\$18.0	\$17.8	\$17.7
Total Expense Increase	\$77.9	\$78.4	\$78.7
Projected Volumes (100 ccf in 000's)	19.6	19.3	19.0
System Rate per ccf	\$3.98	\$4.08	\$4.14

Tables IV-4 and IV-5 present the 2013 through 2015 Sources and Uses of system and treatment revenue/expense, assuming proposed rates and spending.

Table IV-4
2013 Change in Wastewater System & Treatment Expense
 (\$ millions)

	System	Treatment	Total Wastewater
SOURCES			
<i>Direct Service</i>			
Gross Revenue	\$79.2	\$137.0	\$216.3
Less: Credit/Non Payment	(\$1.8)	(\$3.1)	(\$4.8)
Net Revenue	\$77.5	\$134.0	\$211.4
Less: leads/lags	(\$0.3)	(\$0.0)	(\$0.3)
Net Direct Service Cash Revenue	\$77.2	\$134.0	\$211.2
<i>Other Revenue</i>			
Other Operating	\$3.8		\$3.8
Other Non-Operating	\$2.0		\$2.0
SCL Reimbursement	\$1.6		\$1.6
Total Sources	\$84.5	\$134.0	\$218.5
USES			
O&M	\$45.4	\$123.2	\$168.6
Taxes	\$10.4	\$17.9	\$28.3
Debt Service	\$8.7		\$8.7
Cash Financing of CIP	\$17.3		\$17.3
Total Uses	\$81.9	\$141.2	\$223.0
SOURCES NET OF USES	\$2.7	(\$7.2)	(\$4.5)

Table IV-4 Notes:



Assumes treatment rate of \$6.88 and system rate of \$3.98 in 2013 multiplied by projected volumes.

Table IV-4
2014 Change in Wastewater System & Treatment Expense
(\$ millions)

	System	Treatment	Total Wastewater
SOURCES			
<i>Direct Service</i>			
Gross Revenue	\$80.1	\$136.3	\$216.4
Less: Credit/Non Payment	(\$2.0)	(\$3.4)	(\$5.4)
Net Revenue	\$78.1	\$132.9	\$210.3
Less: leads/lags	(\$0.2)	(\$0.0)	(\$0.2)
Net Direct Service Cash Revenue	\$77.9	\$132.9	\$210.1
<i>Other Revenue</i>			
Other Operating	\$3.8		\$3.8
Other Non-Operating	\$1.8		\$1.8
SCL Reimbursement	\$1.6		\$1.6
Total Sources	\$85.1	\$132.9	\$217.3
USES			
O&M	\$45.9	\$122.7	\$168.7
Taxes	\$10.4	\$17.7	\$28.1
Debt Service	\$9.3		\$9.3
Cash Financing of CIP	\$16.7		\$16.7
Total Uses	\$82.3	\$140.4	\$222.7
SOURCES NET OF USES	\$2.8	(\$7.5)	(\$4.7)

Table IV-4 Notes:

Assumes treatment rate of \$6.91 and system rate of \$4.08 in 2014 multiplied by projected volumes.

Table IV-5
2015 Change in Wastewater System & Treatment Expense
(\$ millions)

	System	Treatment	Total Wastewater
SOURCES			
<i>Direct Service</i>			
Gross Revenue	\$80.1	\$135.6	\$215.7
Less: Credit/Non Payment	(\$2.0)	(\$3.4)	(\$5.4)
Net Revenue	\$78.1	\$132.2	\$209.9
Less: leads/lags	(\$0.2)	(\$0.0)	(\$0.2)
Net Direct Service Cash Revenue	\$77.9	\$132.2	\$209.7
<i>Other Revenue</i>			
Other Operating	\$3.8		\$3.8
Other Non-Operating	\$2.0		\$2.0
SCL Reimbursement	\$1.7		\$1.7
Total Sources	\$85.3	\$132.2	\$217.2
USES			
O&M	\$47.9	\$122.0	\$169.9
Taxes	\$10.4	\$17.6	\$28.1
Debt Service	\$10.6		\$10.6
Cash Financing of CIP	\$10.2		\$10.2
Total Uses	\$79.1	\$139.7	\$218.7
SOURCES NET OF USES	\$6.3	(\$7.4)	(\$1.2)

Table IV-5 Notes:

Assumes treatment rate of \$6.96 and system rate of \$4.14 in 2015 multiplied by projected volumes.

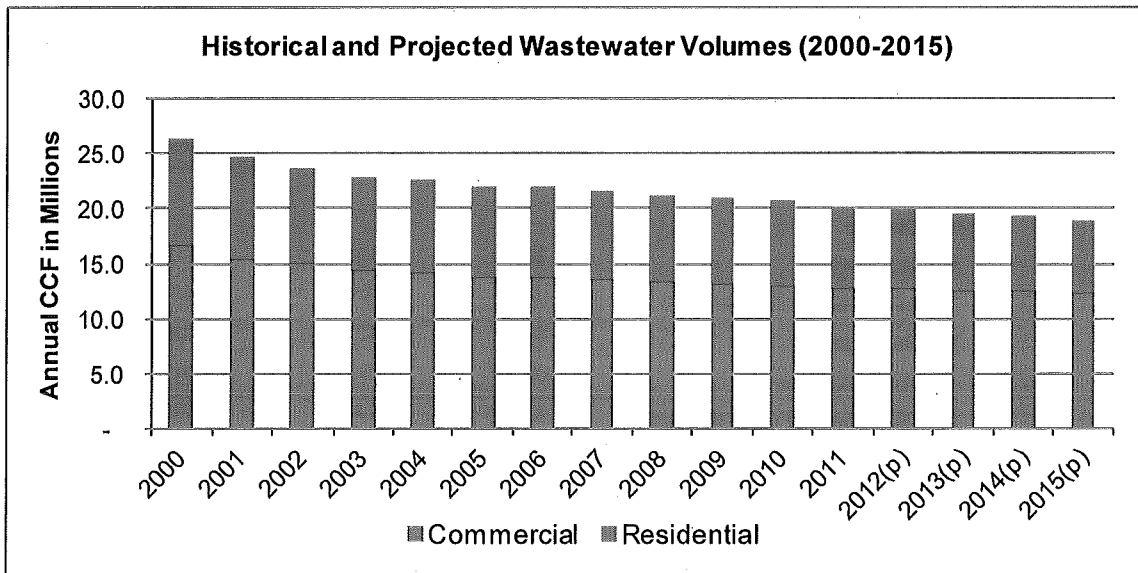
Wastewater Demand

Overall, annual average wastewater volumes of commercial customers are declining at the same rate as residential customer volumes, approximately 2.4 percent per year (for 2000 through 2011). Since the most recent recession began in 2009, annual average residential volumes decreased at a faster rate, declining 3.6 percent through 2011.

The volume of wastewater conveyed from retail customers is expected to decline by about 1.5 percent in 2012 and 2013, 1.8 percent in 2014, and 1.3 percent in 2015. These declines continue a downward trend that started in the 1980s. Indeed, since 2000, total demand declined by approximately 24 percent. Figure IV-1 below presents commercial and residential annual Seattle wastewater volumes (in ccf) between 2000 and 2015.



Figure IV-1



The residential forecasting model utilizes trend for forecasting volumes. The trend captures impacts of the drivers of residential wastewater volumes such as overall decreasing water use (which is used to calculate sewer volumes) and shifts between peak and off-peak period water use. The commercial model utilizes employment to capture economic fluctuations and an underlying trend in consumption associated with increased efficiency in water use.

The demand model also takes into account expected water conservation impacts on peak-period wastewater volumes. Because a significant quantity of water is used for irrigation purposes during the summer, water volumes depend on summer weather. Although the effect on wastewater volumes is moderated by use of average winter sewer bills for determining residential volumes, there is some impact from early or late summer weather on commercial volumes since they are based on actual year-around water consumption. The model used to forecast demand for this rate study assumes the weather of a “normal” year in which summer weather is not particularly wet or dry, hot or cool. Actual demand will vary from forecast partly because summer weather varies.

In order to obtain required revenues, sewer rates have to rise to offset this reduction in demand since many costs do not vary with volume. There is very little expense elasticity relative to changes in wastewater volumes for several reasons, including:

- SPU system operating expenses are typically not capacity-driven, with maintenance focused on the existing network;
- SPU customer service expense is account, not demand driven;
- A large component of the rate base, existing debt service, is entirely fixed (with the exception of re-financing opportunities);
- New capital investment are typically not capacity-driven, with the exception of combined sewer overall expense which is driven more by stormwater than wastewater volumes; and

- The King County treatment bill is volume-based for commercial customers but premise-based for residential customers. Therefore, only about 51 percent of the total treatment bill (commercial portion) is volume-based.



V. DRAINAGE COST ALLOCATION / RATE DESIGN

General

Once the drainage revenue requirement is set, it is apportioned between different customer classes. This section describes the cost allocation process and the proposed 2013 through 2015 drainage rates by class.

Cost Allocation

All properties in Seattle, except city streets and state highways, are charged a drainage fee. Docks and other similar properties which rest over natural water bodies are exempt from drainage fees. Costs are assigned to different customer classes based on the estimated stormwater flow and number of parcels for each class.

King County administers the billing and collecting of drainage fees for the City of Seattle. The drainage fee appears as a line item (Surface Water Management or "SWM" fee) on semi-annual King County property tax statements.

Small Residential Rate Tier

All single-family homes and duplexes on parcels less than 10,000 square feet fall into one of four tiers, based on parcel size, and are charged a flat annual drainage fee. The four rate tiers for parcels less than 10,000 square feet based on parcel size are as follows:

Sub-Tier A	Less than 3,000 SF
Sub-Tier B	3,000 to less than 5,000 SF
Sub-Tier C	5,000 to less than 7,000 SF
Sub-Tier D	7,000 to less than 10,000 SF

General Service and Large Residential Rate Tiers

General service parcels and residential properties 10,000 square feet or greater are assigned to one of five rate groups and are charged a drainage fee based on percent impervious area and actual parcel size. The three rate tiers of Undeveloped, Light and Medium are further split into "Low-Impact" and "Regular" sub-tiers based on calculated runoff rates for these parcels. A customer qualifies for a Low Impact rate if their parcel includes a significant amount of highly pervious surface which results in their average stormwater runoff being below the parcel runoff threshold for each tier.

Drainage Discounts

Various discounts are available which reduce the total drainage bill. See Chapter VI for more detail.

Drainage Flow Factors

SPU's costs for constructing, maintaining and administering the drainage system consist of operations and maintenance (O&M) costs, capital and other costs, and taxes. The costs-of-service imposed on the system by a given customer (or parcel) are determined primarily by two factors: 1) an estimate of the total flow of stormwater that runs off into SPU's drainage system; and 2) the size of a customer's parcel. For the purposes of cost allocation, the amount of stormwater reaching SPU's system, for a customer class, is calculated by the following equation:

$$\text{Total Flow}_i = \text{Flow Factor}_i \times \text{Area}_i$$

A flow factor is an estimate of how much rainfall enters the storm drainage system for a given storm event. Flow factors are determined by two factors: 1) the type of surface; and 2) the intensity of the storm. Surface type characterizes how absorptive a given surface is. Impervious surface absorbs less runoff than pervious, or porous surface, and therefore generates more stormwater runoff during a given storm event. Likewise, pervious surface with significant ground and tree cover will generate less runoff than a highly managed pervious surface such as a lawn. The more intense the storm, the greater the runoff for all surface types.

SPU's cost allocation utilizes four different types of storm events, each with its own runoff factor for each of four surface types. Runoff factors reflect: 1) the stormwater runoff generated by storm events of differing intensities; and 2) runoff factors for four, surface types. The four types of storm events are:

- 25 Year;
- 2 Year;
- 6 Month; and
- Average Storm.

The four surface types are:

- Impervious – All Types;
- Pervious – All Other;
- Pervious – Unmanaged Grass; and
- Pervious – Good Forest.

Each of these surface types has different runoff factors for the different storm events. The availability of aerial photo and other data allows SPU to assign commercial and large residential properties to the pervious surface categories and therefore create flow estimates from individual properties and customer rate classes.



Table V-1 summarizes the flow factors by surface type and storm event.

Table V-1
Storm-Specific, Surface-Specific Flow Factors

Surface Type	Average storm	6-month storm	2-year storm	25-year storm
Impervious- All Types	61.3%	84.8%	89.0%	92.5%
Pervious – All Other	2.2%	31.4%	43.3%	56.4%
Pervious – Unmanaged Grass	2.1%	11.4%	21.4%	34.9%
Pervious – Good Forest	2.0%	4.8%	12.7%	24.9%

These four factors, for each surface type, are reduced to a single runoff factor for a given surface type by weighting the storm events based on an analysis of drainage cost of service. The development of the weightings by storm event is described in the section, "Cost Classifications and Allocation Factors," with the weightings summarized in Table V-5. Table V-2 shows the results of the weighting by surface type:

Table V-2
Weighted Flow Factors by Surface Type

Surface Type	Weighted Flow Factor
Impervious- All Types	78.1%
Pervious – All Other	27.9%
Pervious – Unmanaged Grass	15.1%
Pervious – Good Forest	9.8%

The weighted flow factors are applied to customer level data by surface type in order to estimate the total stormwater runoff, which determines if a parcel qualifies for a Low-Impact sub-tier.

Cost Classifications and Allocation Factors

Drainage costs are grouped into three cost classifications, along with a fourth category for certain credits and allowances:

- 1) Operations & Maintenance (O&M) Costs;
- 2) Capital & Other Costs;
- 3) Taxes; and
- 4) Low Income Credits / Non Payments / Drainage Rate Credits.

Table V-3 outlines the costs and their percent of the total drainage revenue requirement.

Table V-3
Cost Classifications, Credits and Allowances
 (\$ millions)

	2013	% of Total	2014	% of Total	2015	% of Total
O&M	\$49.2	61.5%	\$50.6	57.6%	\$53.9	55.9%
Capital and Other	\$22.3	27.9%	\$28.1	32.0%	\$32.6	33.8%
Taxes	\$10.5	13.2%	\$11.4	13.0%	\$12.6	13.0%
Low Income Credits/Non-Payment/ Drainage Rate Credits	(\$2.1)	-2.6%	(\$2.3)	-2.7%	(\$2.6)	-2.7%
Total	\$79.9	100.0%	\$87.8	100.0%	\$96.5	100.0%

The first three items above are allocated between customer classes based on parcel count or stormwater flow. Costs allocated based on flow are assigned to different storm events in order to determine a weighted cost of service by storm event. Most capital expense and O&M infrastructure maintenance expense is allocated to the storm event(s) which the associated infrastructure is designed to manage, with the exception of pipe expense which is allocated between storm events using an incremental cost approach. Flow allocated expenses not directly related to a specific type of infrastructure are typically assigned to the Average Storm event.

Operations & Maintenance (O&M) Costs

O&M costs are associated with managing stormwater runoff volumes and their impact on the aquatic environment. These costs include infrastructure maintenance and repair (pipes, culverts, detention systems, etc.), regulatory oversight, water quality monitoring, and support services.

O&M costs are broken down into three cost groups:

- Billing;
- King County Treatment; and
- Other O&M.

Billing costs are assigned to an "Account" cost group and are allocated to customer rate groups based on accounts. The drainage portion of King County Treatment costs is assigned 100 percent to a 2 year storm event. Other O&M costs are allocated between the four types of storm events based on an analysis of 2011 actual O&M and the types of assets these costs support.

For example, cost associated with drainage cleaning and inspection are split 50/50 percent to 25-year storm events and 50 percent to six-month storms.

Table V-4 shows a summary of the allocation of drainage O&M costs by storm event.



Table V-4
Summary of O&M Allocation by Storm Event

	25 Year	2 Year	6 Month	Average Storm	Accounts	Total
O&M-KC CSO's	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%
O&M Billing	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
Other O&M	6.6%	0.2%	6.6%	85.7%	1.0%	100.0%

Capital & Other Costs

Capital & Other Costs includes debt service payments and any other cash requirements necessary to support current operations and financial policy targets, such as cash financing of the CIP. Capital & Other costs are allocated to the following five asset groups based on an analysis of the net book value of existing drainage assets as of December 31, 2011:

- Pipe;
- CSO;
- Billing System;
- Water Quality Facility; and
- Other Assets.

Similar to O&M, each of the assets groups, except Billing System, are further allocated between the four types of storm events based on the types of assets in each group and the types of storm events each is intended to support.

For example, the net book value of a sewer pipe addition would be assigned to the "Pipe" asset group, which would further be split to assign 50 percent to the 25-year storm event and the other 50 percent to the 6-month storm event.

Table V-5 summarizes the asset group allocations by storm event:

Table V-5
Summary of Asset Allocation by Storm Event

	25 Year	2 Year	6 Month	Average Storm	Accounts	Total
Billing System	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
CSO	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%
Pipe	50.0%	0.0%	50.0%	0.0%	0.0%	100.0%
WQ Facility	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%
Total Other Assets	37.3%	25.8%	14.9%	22.1%	0.0%	100.0%

Taxes

Taxes are allocated among the storm events based on each event's respective share of total O&M and Capital & Other cost.

Low Income Credits / Non Payments / Drainage Credits

Drainage rates must be set at a sufficient level to allow for:

- 1) Reduced revenues from customers receiving credits and discounts (see Chapter VI for discussion of specific discounts);
- 2) Drainage bills delinquencies; and,
- 3) Changes to customer property characteristics that result in significant changes in total calculated runoff.

These allowances and rate credit impacts are incorporated in order that the total received drainage revenues will equal the total drainage revenue requirement. The 2013-2015 proposed drainage rates include an increase in allowances due to the fact that the federal government has withheld paying drainage fees on most of its parcels in the City of Seattle for several years.

Low Impact Threshold

General Service/Large Residential customers in the Undeveloped, Light or Medium rate tiers may qualify for a Low Impact rate if their estimated stormwater runoff is below the parcel runoff threshold. Table V-6 below illustrates how the threshold value for a parcel's runoff is calculated for each tier. For example, for the Light rate tier, the impervious flow factor (from Table V-2) above receives a 16 percent weight in the calculation, while the Other Pervious Flow Factor receives a weighting of 84 percent. Consequently, the Light rate tier Low Impact threshold equals 35.9% ((78.1% * 16%) + (27.9% * 84%)).

**Table V-6
 Thresholds for Low Impact Rates**

	Impervious		Other Pervious		Parcel Runoff Threshold for Low Impact
	Flow Factor	Weighting	Flow Factor	Weighting	
Undeveloped	78.1%	0%	27.9%	100%	27.9%
Light	78.1%	16%	27.9%	84%	35.9%
Medium	78.1%	36%	27.9%	64%	46.0%

Table V-6 Notes:

The weight for the impervious flow factor is the lower end of each tier's impervious range, which requires a parcel to have some Unmanaged Grass and/or Good Forest pervious surface to qualify for the Low Impact rate.

Customer Class Assignment Process

Residential parcels less than 10,000 square feet are assigned to one of four sub-tiers based on parcel size. Meanwhile, General Service/Large Residential parcels are assigned to individual customer classes using the weighted flow factors and Low Impact thresholds. The following steps summarize the customer class assignment process for a General Service/Large Residential parcel:



1. Determine the percent impervious for a parcel based on its impervious area as a percent of its total billable area.
2. Assign the parcel to one of five General Service/Large Residential rate tiers based on its percent impervious.
3. If a parcel is in the Undeveloped, Light or Medium rate tier, calculate the parcel runoff by multiplying each of the weighted flow factors in Table V-2 times each of the parcel's areas by surface type.
4. Total the calculated runoff by surface type to determine the total runoff for a parcel and divide by the total billable area to determine the percent runoff.
5. If the percent runoff for a parcel is less than its rate tier's Low Impact Threshold, then the parcel qualifies for the Low Impact rate.

Table V-7 summarizes information for each customer class.

Table V-7
Drainage Customer Characteristics by Class

Customer Class		Percent Impervious	Parcel Count	Acres	Total Flow in Acres	Avg Runoff Factor
Small Residential						
Sub-Tier A	<3k sq. ft.		6,398	347	226	0.65
Sub-Tier B	3k to <5k sq. ft.		43,316	4,035	2,130	0.53
Sub-Tier C	5k to <7k sq. ft.		50,945	6,744	3,452	0.51
Sub-Tier D	7k to <10k sq. ft.		27,147	5,024	2,397	0.48
Sub-Total			127,806	16,151	8,205	
General Service/Large Residential						
Undeveloped	Regular	0-15%	4,190	1,862	344	0.18
	Low Impact	0-15%	2,687	3,722	1,154	0.31
Light	Regular	16-35%	5,686	2,544	813	0.32
	Low Impact	16-35%	866	799	324	0.41
Moderate	Regular	36-65%	11,056	3,317	1,441	0.43
	Low Impact	36-65%	188	335	176	0.53
Heavy		66-85%	9,792	2,968	1,962	0.66
Very Heavy		86-100%	12,659	5,874	4,458	0.76
Sub-Total			47,124	21,421	10,672	
Total			174,930	37,572	18,877	

Table V-7 Notes:

Parcel and acreage data is from drainage billing system records as of May 2012.

Percent Impervious: The percentage of the parcel area that is covered by impervious surface (any hard or impermeable surface that is not green, grassy, growing vegetation or landscaped). Examples of impervious surfaces are pavement, blacktop, rooftops, parking lots, or patios. Impervious surface is used to determine the customer class assignment for General Service/Large Residential parcels.

Parcel Count: The number of King County tax parcels within Seattle city limits.

Acres: The total parcel area used in the calculation of the total flow by customer class.

Total Flow in Acres: Equal to total estimated runoff for each customer class. This calculation approximates stormwater runoff that flows off the property into the public drainage system. Total flow is used to allocate the majority of drainage costs among the customer classes.

Average Runoff Factor: The average percentage of precipitation falling on parcels within a customer class that is expected to enter the drainage system as runoff. The overall runoff factor is calculated based on the total flow by customer class divided by total square footage.



Cost of Service by Customer Class

The total drainage cost of service is assigned to customer classes based primarily on an estimate of the stormwater runoff for each customer class. The development of the cost of service for each customer class can be summarized by the following steps:

1. The flow factors from Table V-2 are applied to total acreage by surface type to arrive at an estimate of total runoff by surface type for each storm event. These estimates are used to determine the weighted cost allocation by surface type.
2. The weighted allocation factor for each surface type is split among customer classes based on acreage for each class. An exception is the account component of the revenue requirement which is allocated among customer classes based on accounts.
3. The allocations for each customer class are summed to determine total cost allocation factor by customer class.
4. The total drainage revenue requirement is allocated to each customer class using the total cost allocation factors.

Table V-8 shows a summary of proposed 2013 through 2015 drainage costs by cost classification.

Table V-8
Drainage Cost of Service Summary
 (\$ millions)

Customer Class	Total 2013 Cost	Percent of 2013 Cost	Total 2014 Cost	Percent of 2014 Cost	Total 2015 Cost	Percent of 2015 Cost
Small Residential	\$34.8	42.3%	\$38.2	42.3%	\$42.0	42.3%
Sub-Tier A <3k sq. ft.	\$1.0	1.3%	\$1.2	1.3%	\$1.3	1.3%
Sub-Tier B 3k to <5k sq. ft.	\$9.2	11.2%	\$10.1	11.2%	\$11.1	11.2%
Sub-Tier C 5k to <7k sq. ft.	\$14.7	17.8%	\$16.1	17.8%	\$17.7	17.8%
Sub-Tier D 7k to <10k sq. ft.	\$9.9	12.0%	\$10.9	12.0%	\$11.9	12.0%
General Service/Large Residential	\$47.4	57.7%	\$52.1	57.7%	\$57.3	57.7%
Undeveloped Regular	\$1.9	2.3%	\$2.1	2.3%	\$2.3	2.3%
Low Impact	\$2.2	2.7%	\$2.4	2.7%	\$2.6	2.7%
Light Regular	\$4.0	4.8%	\$4.4	4.8%	\$4.8	4.8%
Low Impact	\$1.0	1.2%	\$1.1	1.2%	\$1.2	1.2%
Moderate Regular	\$7.5	9.2%	\$8.3	9.2%	\$9.1	9.2%
Low Impact	\$0.6	0.7%	\$0.7	0.7%	\$0.7	0.7%
Heavy	\$9.1	11.0%	\$10.0	11.0%	\$10.9	11.0%
Very Heavy	\$21.2	25.8%	\$23.3	25.8%	\$25.6	25.8%
Total	\$82.2	100.0%	\$90.4	100.0%	\$99.3	100.0%

Proposed Drainage Rates

The cost of service by customer class and the billable units (parcels for Small Residential and thousand-square-foot units for General Service/Large Residential) are used to develop the proposed drainage rates. Table V-9 presents proposed annual Small Residential drainage rates by sub-tier for 2013 through 2015.

The rates presented in this section reflect no change in the King County treatment rate for 2013 through 2015; however King County approved a 10.2 percent increase in the 2013 treatment rate and any impact to SPU wastewater and drainage rates will be accomplished via the pass-through mechanism.



Table V-9
2013-2015 Proposed Annual Drainage Rates
Small Residential Per Parcel

Class (% impervious)	2012 Adopted	2013 Proposed				2014 Proposed				2015 Proposed			
		System	Treatment	Total	Change from '12	System	Treatment	Total	Change from '13	System	Treatment	Total	Change from '14
Small Residential, per parcel													
Sub-Tier A <3k	\$149.33	\$146.25	\$17.26	\$163.51	\$14.18	\$162.89	\$16.93	\$179.82	\$16.31	\$180.91	\$16.66	\$197.57	\$17.75
Sub-Tier B 3k to <5k	\$192.79	\$189.56	\$22.37	\$211.93	\$19.14	\$211.13	\$21.94	\$233.07	\$21.14	\$234.48	\$21.59	\$256.07	\$23.00
Sub-Tier C 5k to <7k	\$261.66	\$257.32	\$30.37	\$287.69	\$26.03	\$286.60	\$29.78	\$316.38	\$28.69	\$318.29	\$29.31	\$347.60	\$31.22
Sub-Tier D 7k to <10k	\$332.23	\$325.77	\$38.18	\$363.95	\$31.72	\$362.80	\$37.45	\$400.25	\$36.30	\$402.90	\$36.85	\$439.75	\$39.50

Note: Rates assume no change in the King County treatment rate; however, King County approved a 10.2 percent increase in its 2013 treatment rate. Please refer to Appendix A for an analysis of the drainage and wastewater rate impacts.

Table V-10 presents proposed annual General Service/Large Residential drainage rates by customer class for 2013 through 2015.

Table V-10
2013-2015 Proposed Annual Drainage Rates
General Service/Large Residential Per 1,000 Square Feet

Class (% impervious)	2012 Adopted	2013 Proposed				2014 Proposed				2015 Proposed			
		System	Treatment	Total	Change from '12	System	Treatment	Total	Change from '13	System	Treatment	Total	Change from '14
General Service/ Large Residential, per 1000 sq. ft.													
Undeveloped Regular	\$21.96	\$20.62	\$2.43	\$23.05	\$1.09	\$22.96	\$2.39	\$25.35	\$2.30	\$25.50	\$2.35	\$27.85	\$2.50
(0-15%) Low Impact	\$13.76	\$12.08	\$1.42	\$13.50	-\$0.26	\$13.44	\$1.40	\$14.84	\$1.34	\$14.93	\$1.38	\$16.31	\$1.47
Light Regular	\$32.98	\$32.01	\$3.78	\$35.79	\$2.81	\$35.65	\$3.71	\$39.36	\$3.57	\$39.60	\$3.65	\$43.25	\$3.89
(16-35%) Low Impact	\$26.14	\$25.19	\$2.97	\$28.16	\$2.02	\$28.06	\$2.91	\$30.97	\$2.81	\$31.15	\$2.87	\$34.02	\$3.05
Moderate Regular	\$47.76	\$46.61	\$5.50	\$52.11	\$4.35	\$51.92	\$5.39	\$57.31	\$5.20	\$57.66	\$5.31	\$62.97	\$5.66
(36-65%) Low Impact	\$38.35	\$37.48	\$4.42	\$41.90	\$3.55	\$41.74	\$4.34	\$46.08	\$4.18	\$46.36	\$4.27	\$50.63	\$4.55
Heavy (66-85%)	\$63.01	\$62.62	\$7.39	\$70.01	\$7.00	\$69.74	\$7.25	\$76.99	\$6.98	\$77.45	\$7.13	\$84.58	\$7.59
Very Heavy (86-100%)	\$74.49	\$74.11	\$8.75	\$82.86	\$8.37	\$82.54	\$8.58	\$91.12	\$8.26	\$91.67	\$8.44	\$100.11	\$8.99

Note: Rates assume no change in the King County treatment rate; however, King County approved a 10.2 percent increase in its 2013 treatment rate. Please refer to Appendix A for an analysis of the drainage and wastewater rate impacts.



VI. DISCOUNTS AND CREDITS

Low Income Utility Credit

The City subsidizes qualified low-income customers by giving them discounts on their utility services. Low income assistance customers may receive their discount in one of three ways: 1) as a credit to their SPU wastewater bill; or 2) where no wastewater bill is received, as a credit to the customer's City Light Bill; or 3) in the form of a credit voucher. The latter two options are typically applicable to renters who pay drainage, wastewater, and water utility fees indirectly as part of their rental payment.

For customers who do not receive a wastewater bill, a fixed credit is calculated which is equal to 50 percent of a typical residential bill for the class of customer receiving the credit². The discounts proposed by SPU for 2013 through 2015 are shown in Tables V-11 and V-12.

**Table V-11
 Wastewater Low Income Utility Credit**

Customer Type	2013 Proposed	2014 Proposed	2015 Proposed
Receives SPU Bill	50% discount	50% discount	50% discount
Does not receive sewer bill			
Single family & duplex	\$23.34 per month	\$23.61 per month	\$23.87 per month
Multi-family	\$16.29 per month	\$16.47 per month	\$16.65 per month

Note: Rates assume no change in the King County treatment rate; however, King County approved a 10.2 percent increase in its 2013 treatment rate. Please refer to Appendix A for an analysis of the drainage and wastewater rate impacts.

**Table V-12
 Drainage Low Income Utility Credit (Monthly)**

	2013 Proposed	2014 Proposed	2015 Proposed
Single Family	\$11.99	\$13.18	\$14.48
Duplex	\$6.00	\$6.59	\$7.24
Multi-Family	\$1.28	\$1.41	\$1.55

Note: Rates assume no change in the King County treatment rate; however, King County approved a 10.2 percent increase in its 2013 treatment rate. Please refer to Appendix A for an analysis of the drainage and wastewater rate impacts.

² The typical residential bill is calculated by multiplying the rate per ccf by average monthly consumption. The discounts assume an average monthly usage of 4.3 ccf for a single family and 3.0 ccf for multi-family.

Other Drainage Credits and Discounts

Drainage bill discounts are available for property owners that help reduce the impact of stormwater on the City's system. SPU currently offers bill reductions to both natural areas whose characteristics enhance retention of stormwater runoff, as well as to engineered systems that provide stormwater flow control and/or provide water quality treatment for run-off from impervious area. Current discounts include:

- Low impact rates;
- Stormwater Facility Credit Program
- Rainwater Harvesting Discount

This rate study proposes offering additional discounts to large natural areas that offer systemic benefits greater than those offered by other types of undeveloped lands or which clearly do not benefit from or impact the stormwater system.

Existing Discounts

A. Low Impact Rates

Discounts³ of 20 to 41 percent are applied to the rate for undeveloped natural areas of 0.5 acres or greater containing sufficient amounts qualifying "highly infiltrative" surface (i.e. forested areas, unmanaged grasslands, etc.). Certain athletic facilities with engineered designs that mimic the stormwater retention benefits of these large natural areas are also eligible for low impact rates.

B. Stormwater Facility Credit Program (SFCP)

This program offers credits of up to 50 percent privately-owned systems that slow down stormwater flow and/or provide water quality treatment for run-off from impervious area, thus lessening the impact to the City's stormwater system, creeks, lakes or Puget Sound. Stormwater systems are structures such as vaults, rain gardens, permeable pavements and filtration systems. SPU offers a 10 percent discount for any new or remodeled commercial building that utilizes a rainwater harvesting system meeting credit requirements. Those systems that involve indoor uses of rainwater must be permitted by Seattle-King County Department of Health in order to qualify for the rate reduction. Systems must meet the applicable stormwater and drainage code requirements for the building and site.

C. Rainwater Harvest Credit

SPU offers a 10 percent discount for any new or remodeled commercial building that utilizes a rainwater harvesting system meeting credit requirements. Those systems that involve indoor uses of rainwater must be permitted by Seattle-King County Department of Health in order to qualify for the rate reduction. Systems must meet the applicable stormwater and drainage code requirements for the building and site.

Proposed Discounts

³ Relative to the rates for non-qualifying properties with like amounts of impervious surface



Proposed discounts build on the 2006 drainage rate design work, focusing on the benefits of certain low impact areas that provide natural hydrological and water quality benefits that extend beyond the management of a property's flows, providing a greater drainage system benefit, at no current cost to the drainage utility.

Proposed discounts are not fixed credits. Rather, drainage bills are discounted by exempting qualifying area from the parcel billing area. Therefore, the "credit" or discount applied to the bill will vary by parcel and depend on how much the qualifying riparian corridor, wetland, or island area represents of total parcel area is represented.

The reduced revenue associated with these discounts is factored into the allowance made, when developing rates, for various areas of revenue reduction such as low income credits, drainage delinquencies, and other existing credits (see Chapter V., "Low Income Credits/Non Payments/Drainage Credits"). It is estimated that proposed credits will reduce revenues by \$0.09 million in 2013, \$0.1 million in 2014, and \$0.1 million in 2015.

A. Undeveloped Riparian Corridor Credit

Developed riparian corridors⁴ with small buffers and bank armoring increase the risk of flooding and downstream property damage. In contrast, undeveloped riparian corridors with a sufficient buffer act as floodplains which allow creeks to expand during peak period, mitigating downstream flood damage.

Qualification criteria:

- Must contain low impact surface⁵ in the riparian corridor
- Additional criteria, such as maximum percent of impervious surface in the riparian corridor buffer area, as will be defined in a related Director's Rule.

The discount assumes exemption of the entire 100 foot qualifying creek buffer from the parcel's billable area.

Implementation consideration:

Properties may be qualified using existing Geographic Information Systems (GIS) data. Credits could be applied to 2013 drainage bills upon Council approval.

B. Wetlands Credit

Wetlands act like natural drainage systems, protecting and improving water quality and storing floodwaters which are slowly released over time. In addition wetlands also serve as an important habitat for fish and wildlife.

Not all wetlands provide the same level of benefits. The Washington State Department of Ecology has developed a wetland rating point system for Western Washington which

⁴ Riparian corridor is defined SMC 25.09.020.B.5.A.

⁵ Highly infiltrative pervious area, such as undeveloped forestland or unmanaged grass. This is the same type of surface required to qualify for low impact rates.

provides a qualitative evaluation of a wetland's hydrologic, water quality and habitat functions. For development purposes, a wetlands report is required which uses this rating system to assign the wetland to one of four categories. Development requirements vary by category.

The Department of Ecology rating system provides useful metrics which could be tailored to evaluate hydrologic and water quality benefits from a drainage system standpoint. Wetlands meeting a minimum point benchmark would qualify for the applicable credit. SPU could verify if a wetland meets defined criteria either by reviewing defined components of an existing Wetlands Report or via a site inspection which would only look at SPU specific criteria.

Qualification criteria:

- Credit applies only to wetland areas designated as "low impact", as further described under the riparian corridor credit above.
- Application is required.
- Must demonstrate that wetlands meet minimum SPU rating requirements.

Implementation:

Work processes must be developed for the application and rating process. It is expected that this work can be undertaken with existing staff. A schedule for work process design would be developed upon Council approval of this discount, with administrative details for the program and the effective date adopted via subsequent Director's Rule. First credits would most likely be applied in either 2014 or 2015.

C. Undeveloped Islands Credit

This credit would apply to undeveloped islands with less than ten percent impervious area. These islands do not benefit from nor impact the drainage system or surrounding receiving waters.

Implementation:

Properties can be qualified using existing GIS data and begin to receive the credit in 2013, if approved by Council.



APPENDIX A — KING COUNTY SEWERAGE TREATMENT RATE

Payments to King County⁶ for wastewater treatment are the single largest component of both wastewater and total DWF operating expense. The inability to fully recover this expense through the wastewater and drainage rates can seriously impact DWF financial performance. To mitigate this risk the Council adopted Ordinance 121675 in 2004, providing for an annual adjustment to the treatment rate when there is a change in the underlying cost drivers. The formula for this adjustment is defined in the ordinance, allowing for the treatment rate to be adopted outside of a normal rates process. The formula is as follows:

Projected wastewater treatment expense/Projected annual wastewater volumes

X

A 16.9% multiplier (to recover revenue reductions and revenue taxes)

In June 2012, the County adopted a 10.2 percent treatment rate increase for 2013 and 2014, raising the cost per Residential Consumption Equivalent (RCE) from \$36.10 to \$39.79. The following tables illustrate SPU's estimate⁷ of the combined impact of the rates proposed in the 2013-2015 Rate Study and adopted by the King County Council for their treatment rate.

Table A-1

King County Wastewater Bill Impact

	2012 Adopted Rate	2013 Proposed Rate	Estimated 2013 Rate with KC	KC Impact
Treatment Rate	\$6.94	\$6.88	\$7.69	\$0.81
System Rate	\$3.74	\$3.98	\$3.98	-
Total Wastewater Rate	\$10.68	\$10.86	\$11.67	\$0.81
<i>Typical Monthly Residential Bill (4.3 ccf per month)</i>	\$45.92	\$46.70	\$50.18	\$3.48

⁶ King County treats over 99% of the City's sewage. The Southwest Suburban Sewer District treats the balance.

Table A-2
King County Drainage Bill Impact

		2012 Adopted Rate	2013 Proposed Rate	2013 Estimated Rate with KC	KC Impact
<u>General Service/Large Residential</u>					
(per 1,000 square feet)					
1 - Undeveloped	Regular	\$21.96	\$23.05	\$23.32	\$0.27
	Low Impact	\$13.76	\$13.50	\$13.67	\$0.17
2 - Light	Regular	\$32.98	\$35.79	\$36.14	\$0.35
	Low Impact	\$26.14	\$28.16	\$28.47	\$0.31
3 - Moderate	Regular	\$47.76	\$52.11	\$52.67	\$0.56
	Low Impact	\$38.35	\$41.90	\$42.32	\$0.42
4 - Heavy		\$63.01	\$70.01	\$70.74	\$0.73
5 - Very Heavy		\$74.49	\$82.86	\$83.73	\$0.87
<u>Small Residential</u>					
(per parcel)					
6 - Residential < 10K	Sub-Tier A	\$149.33	\$163.51	\$165.19	\$1.68
	Sub-Tier B	\$192.79	\$211.93	\$214.21	\$2.28
	Sub-Tier C	\$261.66	\$287.69	\$290.77	\$3.08
	Sub-Tier D	\$332.23	\$363.95	\$367.88	\$3.93



APPENDIX B — FINANCIAL STATEMENT

Drainage and Wastewater Fund Financial Summary

	2011	2012	2013	2014	2015	2016	2017
	Actual	Projected	Estimated	Estimated	Estimated	Estimated	Estimated
Operating Revenue							
Wastewater Service							
Wastewater Rates Revenue	204.6	207.5	211.4	210.3	209.9	215.5	217.6
High Strength Industrial	2.1	1.6	1.6	1.6	1.6	1.6	1.5
Drainage Rates Revenue	67.6	74.9	79.9	87.8	96.5	108.0	117.9
Other Charges							
Permit Fees	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Other	3.5	2.7	2.2	2.2	2.2	2.2	0.2
Total Operating Revenue	279.0	288.0	296.4	303.2	311.4	328.5	338.5
Operating Expenses							
Operating and Maintenance Expenses							
Wastewater Treatment	125.3	123.7	123.2	122.7	122.0	121.3	120.6
Other Operating Expenses	72.0	82.0	84.2	86.8	91.1	91.2	94.8
Taxes Other Than City Taxes	3.6	4.0	4.1	4.0	4.1	4.5	4.7
Other Expenses							
City Taxes	32.4	33.7	34.8	35.6	36.5	38.5	39.9
Depreciation	19.8	20.6	21.4	22.1	22.9	23.4	23.9
Total Operating Expenses	253.1	264.0	267.6	271.2	276.6	278.8	283.9
Net Operating Income	25.9	24.0	28.8	32.0	34.9	49.7	54.6
Other Income (Expenses)							
Investment and Interest Income	2.8	2.6	2.5	2.2	2.8	2.6	3.1
Interest Expenses and Amortization of Debt Issue Costs and Net Discount	(21.0)	(21.5)	(22.6)	(26.9)	(30.5)	(32.5)	(37.4)
Gain on sale Cap Assets/Other	0.5	1.6	-	-	-	-	-
Total Other Income (Expenses)	(17.7)	(17.3)	(20.1)	(24.7)	(27.7)	(29.9)	(34.3)
Capital and Operating fees, Contributions, and Grants	9.8	3.7	2.7	2.7	2.7	2.7	2.7
Net Income (Loss)	18.0	10.4	11.4	10.0	9.9	22.5	23.1
Revenue Available for Debt Service	82.5	84.6	91.2	95.5	100.7	117.9	125.2
Average Annual Debt Service	29.5	30.5	30.1	35.1	41.0	47.9	47.4
Debt Service Coverage	2.80	2.80	3.00	2.70	2.50	2.50	2.60

APPENDIX C — DATA TABLES

Table C-1
 Drainage and Wastewater Fund
 Historical and Forecast Revenues
 (\$ millions)

	2010	2011	2012	2013	2014	2015
Forecast Revenue¹						
Capital/Operating Grants	\$6.5	\$5.2	\$3.4	\$2.7	\$2.7	\$2.7
Public Toilets Service Fee	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Wastewater Service Rates	\$184.2	\$209.4	\$214.1	\$211.4	\$210.3	\$209.9
Drainage Service Rates	\$59.0	\$67.2	\$74.7	\$79.9	\$87.8	\$96.5
Side Sewer Permit Fees	\$0.9	\$0.9	\$0.9	\$1.0	\$1.0	\$1.0
Drainage Permit Fees	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
SCL Call Center Service	\$1.8	\$1.8	\$1.9	\$1.7	\$1.7	\$1.8
Interest Earnings	\$1.8	\$0.8	\$1.7	\$2.5	\$2.2	\$2.8
Other Misc. Revenues	\$4.8	\$4.2	\$3.7	\$2.2	\$2.2	\$2.2
Use of Bond Proceeds	\$55.9	\$63.6	\$69.5	\$72.5	\$75.4	\$55.0
Total	\$315.1	\$353.4	\$370.1	\$374.1	\$383.6	\$372.1
Actual Revenue						
Capital/Operating Grants						
Public Toilets Service Fee	\$5.1	\$9.8				
Wastewater Service Rates	\$0.0	\$0.0				
Drainage Service Rates	\$185.2	\$204.6				
Side Sewer Permit Fees	\$58.3	\$67.6				
Drainage Permit Fees	\$0.9	\$1.0				
SCL Call Center Service	\$0.2	\$0.2				
Interest Earnings	\$1.6	\$1.6				
Unreal Gns/Losses	\$2.6	\$2.8				
Other Misc. Revenues	\$3.7	\$3.5				
Use of Bond Proceeds	\$43.6	\$46.4				
Total	\$301.2	\$337.5				

Table C-1 Notes:

- 1) Historical Revenue Forecast = Adopted Revenue for years in which rates were proposed.



Table C-2
Drainage and Wastewater Fund
Historical and Forecast O&M
 (\$ millions)

	2010	2011	2012	2013	2014	2015
Forecast O&M¹						
Drainage	\$34.4	\$37.8	\$40.4	\$43.4	\$44.9	\$47.4
Treatment	\$111.1	\$125.0	\$123.7	\$123.2	\$122.7	\$122.0
Wastewater	\$35.9	\$38.2	\$37.8	\$42.1	\$43.3	\$45.0
Total	\$181.4	\$201.0	\$201.8	\$208.7	\$210.9	\$214.4
Actual O&M						
Drainage	\$34.8	\$34.9				
Treatment	\$111.3	\$125.3				
Wastewater	\$34.5	\$35.7				
Total	\$180.5	\$195.8				

Table C-2 Notes:

- 1) This forecast data was used as a basis for rate studies in the applicable years. Forecast O&M does not include revenue-based taxes (city and state utility) or debt service which is reported separately in the rates model. Non-revenue based taxes, such as property assessments, are included in forecast O&M figures. The table does include certain non-cash expenses which are not included in the budget but are considered part of O&M expense on Financial Statements. The O&M data is net of the SCL revenue presented under forecast revenue above. For financial reporting purposes, this "revenue" is treated as an offset to expense. For budgeting purposes it is presented as revenue.
- 2) Non-treatment actual O&M is allocated between lines of business by the SPU rates group.

Table C-3
Drainage and Wastewater Fund
Operating Fund Cash Flow, 2009-2010
 (\$ millions)

	2011	2012
	Actual	Projected
Beginning Cash Balance	\$28.8	\$29.0
Sources of Funds		
Interlocal Grants-Operating	\$2.3	\$0.8
Capital Contribution/Grant	\$7.5	\$2.9
Wastewater Utility Services	\$204.6	\$207.5
Drainage Utility Services	\$67.6	\$74.9
Side Sewer Permit Fees	\$1.0	\$1.0
Drainage Permit Fees	\$0.2	\$0.2
SCL Call Center Payments	\$1.6	\$1.6
Inv Earn-Residual Cash	\$2.8	\$2.6
Other Miscellaneous Revenues	\$3.5	\$2.7
Sources Subtotal:	\$291.1	\$294.3
Uses of Funds		
SPU General Expenses	\$174.5	\$177.8
Director's Ofc/Corp Strat&Comm	\$2.0	\$2.3
F&A/HR & Service Equity	\$10.7	\$12.6
Customer Service	\$6.2	\$7.4
Project Delivery	\$8.7	\$11.1
Pre-Capital Plng & Devlpmt	\$2.1	\$1.6
Field Operations	\$19.0	\$19.6
Utility Systems Mgmt	\$16.6	\$18.9
G&A Credits	-\$8.0	-\$9.3
Operations Subtotal:	\$231.8	\$242.0
Debt Service		
Interest	\$24.2	\$27.3
Principal	\$14.0	\$15.0
Total Sources Net Uses:	\$21.0	\$10.0
Adjustments:		
Lags and Leads in Revenue	-\$2.5	-\$0.7
Other Assets and Liabilities	\$1.5	\$3.5
Ending Cash Balance	\$29.5	\$24.3



Table C-4
Drainage and Wastewater Fund
Construction Fund Cash Flow, 2011-2015
 (\$ millions)

	2011	2012	2013	2014	2015
	Actual	Projected	Proposed	Proposed	Proposed
Starting Cash Balance	\$76.5	\$80.4	\$84.7	\$72.9	\$60.3
Sources of Funds					
2009 Bond Issue	\$44.3	\$28.8			
2012 Bond Issue		\$17.7	\$64.4	\$4.9	
Future Bonds				\$55.9	\$53.3
Bond Issuance Costs		\$1.6		\$1.7	
Contributions in Aid of Construction	\$3.3	\$2.6	\$1.6	\$1.6	\$1.6
Interest Earnings	\$0.6	\$0.2	\$0.1	\$0.1	\$0.1
Transfers from Operating Fund	\$17.5	\$20.1	\$18.7	\$23.8	\$12.4
Total Sources:	\$65.7	\$71.0	\$84.8	\$87.9	\$67.3
Uses of Funds					
Combined Sewer Overflows	\$15.3	\$16.6	\$43.8	\$49.2	\$36.1
Wastewater Conveyance	\$8.9	\$11.2	\$9.2	\$8.8	\$10.0
Flooding/Sewer Backup	\$15.4	\$19.4	\$16.7	\$17.2	\$7.2
Protection of Beneficial Uses	\$3.4	\$3.4	\$5.1	\$5.1	\$4.3
Landslide Mitigation & Special Programs	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Sediments	\$7.6	\$3.4	\$1.7	\$2.1	\$1.6
Shared Cost Projects	\$8.0	\$7.9	\$12.6	\$10.4	\$8.8
Technology	\$3.2	\$4.7	\$7.4	\$7.7	\$5.4
Total Uses:	\$61.8	\$66.6	\$96.6	\$100.5	\$73.4
Sources Net of Uses:	\$3.8	\$4.3	(\$11.8)	(\$12.6)	(\$6.1)
Ending Cash Balance	\$80.4	\$84.7	\$72.9	\$60.3	\$54.3



APPENDIX D— DWF COST ASSIGNMENT DETAIL

Drainage and Wastewater Cost Assignment Methodology

SPU conducted its last review of DWF cost assignment factors in 2010, using 2009 actual data. Those factors were used to determine the 2010 drainage and wastewater system cost of service.

The 2013-2015 rate study uses the methodology described below for assigning operating expenses between drainage and wastewater lines of business. The cost assignment methodology is consistent with that of the 2004 through 2012 rate studies. The current rate study uses 2011 actual labor expense as the basis for labor related cost splits. Consistent use of actual expense over time helps to minimize errors in cost assignment resulting from variations between actual and budgeted spending.

DWF Operating Expenses are grouped into three categories:

- 1) Direct Operating Expense;
- 2) Branch and Division Administration; and
- 3) General and Administrative Expense.

Direct Operating Expense

Some expenses are assigned 100 percent to the applicable line of business (e.g., drainage billing administration). The majority of shared direct operating expenses are assigned based on actual direct labor expenses of an identified proxy. For example, most regulatory direct operating expense is related to water quality and combined sewer overflow (CSO) issues. Therefore, these activities are assigned based on actual direct labor expense for a subset of water quality and CSO-related capital and operating activities. The use of a programmatic proxy is useful in capturing any shifts in the focus of regulatory support over time.

Management estimates are used to identify the cost assignment factors for a limited number of activities. The bulk of activities using management estimates are related to billing and customer service activities. SPU is responsible for wastewater billing and for drainage and wastewater customer service.⁸ Management estimates are used to identify labor effort associated with the support of each line of business for a targeted subset of customer service budgeted activities.

Branch and Division Administration

With the exception of the Project Delivery Branch, the cost assignment of all division general management expense is based on the sum of actual direct labor expenses for direct operating activities which charge to the division budget. The assignment of branch management expense is based on the sum of actual direct labor charged to direct operating and division administration activities rolling up to the branch budget.

Administrative expense for project delivery is assigned based on actual direct labor expense charged to capital projects by each division. Project delivery branch management expense is

⁸ King County administers billing for drainage.

assigned based on the sum of actual direct labor expense charged to capital projects by all project delivery branch divisions.

This methodology creates a direct link between administrative functions and the activities they support. In addition, this methodology provides a consistent mechanism for updating administration cost assignment from year to year in the event that the programmatic focus of a particular branch or division changes.

General and Administrative Expense

Finance and Administration Branch expense is assigned based on the sum of actual direct labor expense for all direct operating and branch/division administrative activities which charge to the DWF budget.

Cost Assignment Factor

The DWF total operating budget for each operating activity is divided between the wastewater and drainage lines of business using the cost assignment factors in Table D-1. These factors represent the typical amount of support provided to each line of business in carrying out a specific type of activity. For example, the "FO Branch OH" factor assumes that the branch management of field operations is related to drainage services about 52 percent of the time and to wastewater services about 48 percent of the time. Therefore, drainage and wastewater each receive their proportional shares of the activities assigned this factor.

Table C-1 (on the following page) presents detail on the applicability, basis, and drainage expense share associated with each cost assignment factor. The fourth column in this table shows the percentages which were applied in prior rate studies. The final column presents revisions to these factors, where applicable, based on 2011 direct labor data.

The application of the 2011 revised cost assignment factors decreases the 2013 wastewater share of DWF pre-existing O&M by \$0.3 million, and increases the drainage share by a corresponding amount.



**Table D-1
 DWF Cost Assignment Factors**

Factor	Applicability	Basis	Drainage Share Base	Drainage Share Revised
BRANCH LABOR				
CS Branch OH	Customer Service Branch Administration	2011 Division Direct O&M Labor	17%	19%
HR Branch OH	F&A/HR & Service Equity Branch Administration	2011 Division Direct O&M Labor	60%	68%
FO Branch OH	Field Operations Branch Administration	2011 Division Direct O&M Labor	49%	52%
USM Branch OH	Utility Systems Management Branch Administration	2011 Division Direct O&M Labor	72%	51%
PD Branch OH	Project Delivery Branch Administration	2011 Division Direct O&M Labor	62%	63%
DIVISION LABOR				
CS CB	Customer Billing Svcs	2011 Division Direct O&M Labor	1%	7%
CS CPM	Customer Progs & Contract Mgmt	2011 Division Direct O&M Labor	100%	83%
CS CR	Customer Response	2011 Division Direct O&M Labor	5%	5%
CS UST	Utility SVC Teams	2011 Division Direct O&M Labor	51%	36%
PD CM	Construction Management	2011 Division Direct O&M Labor	54%	62%
PD E	Project Mgmt & Engineering	2011 Division Direct O&M Labor	62%	56%
PD PS	Project Support	2011 Division Direct O&M Labor	66%	73%
FO DWW	Field Operations Drainage and Wastewater Division Administration	2011 Division Direct O&M Labor	57%	55%
FO Water	Field Operations Water (included because some Drainage & Wastewater work is done by this Division)	2011 Division Direct O&M Labor	15%	0%
FO UOC	Field Operations Utility Operations Center	Reorg	0%	0%
FO Crew	Field Operations Crew Schedule and Project Delivery Utility Systems Management Drainage and Wastewater	Reorg	0%	0%
USM LOB	Line of Business	2011 Division Direct O&M Labor	66%	39%
USM QD	USM Drainage and Wastewater Quality Division	2011 Division Direct O&M Labor	84%	64%
USM Tech	USM Technical Services Division	2011 Division Direct O&M Labor	0%	0%
EC	Pre-Capital Planning and Development, Expensed Capital	2011 Division Direct O&M Labor	99%	60%
FA FRP	F&A/HR & Service Equity, Facilities and Real Property Services	2011 Division Direct O&M Labor	60%	68%

Table D-1 (cont.)

Factor	Applicability	Basis	Drainage Share Base	Drainage Share Revised
DIRECT				
CIP	CIP management, G&A Credit, and Corps Design Permit Review	2011 CIP Direct Labor	55%	55%
CSO	Combined System Overflows	Stormwater portion of the average annual flow	18%	18%
CS Credit	Customer Service Utility Credit	Drainage Portion of Utility Credit	19%	19%
D	Direct drainage services such as drainage repair, storm water management, etc.	Utility Specific	100%	100%
Labor	Finance, human resources, and information technology expenses. Labor refers to the basis for the factor (i.e. direct labor expense for activities that the finance and Administration functions support).	2011 Actual non-Finance & Administration Direct O&M Labor (All)	52%	50%
Management	Activities with no alternate indicator. Factor based on management estimates of support required for each line of business. Used for all direct customer service activities, environmental justice and neighborhood planning, and limited environmental regional planning activities.	Management Estimate of labor required	0%	0%
Model	Debt service and taxes are calculated for each utility by the rates model based on forecast CIP spending requirements and operating revenues respectively.	Rates Model	0%	0%
S	Direct wastewater services such as wastewater treatment, pumps station maintenance, etc.	Utility Specific	0%	0%
SewerPipe	Maintenance of sewer pipes	Drainage Portion of Combined pipe relative to all Sewer Pipe	6%	6%
SideSewer	DPD Side Sewer Contract and Side Sewer GIS Drafting	2011 Permit Revenue	19%	20%



APPENDIX E— COMPARATIVE RATES

The following tables compare 2012 City of Seattle drainage and wastewater fees to those of other regional utilities.

Figure E-1
Monthly Drainage Bill Comparison
Single Family Residence

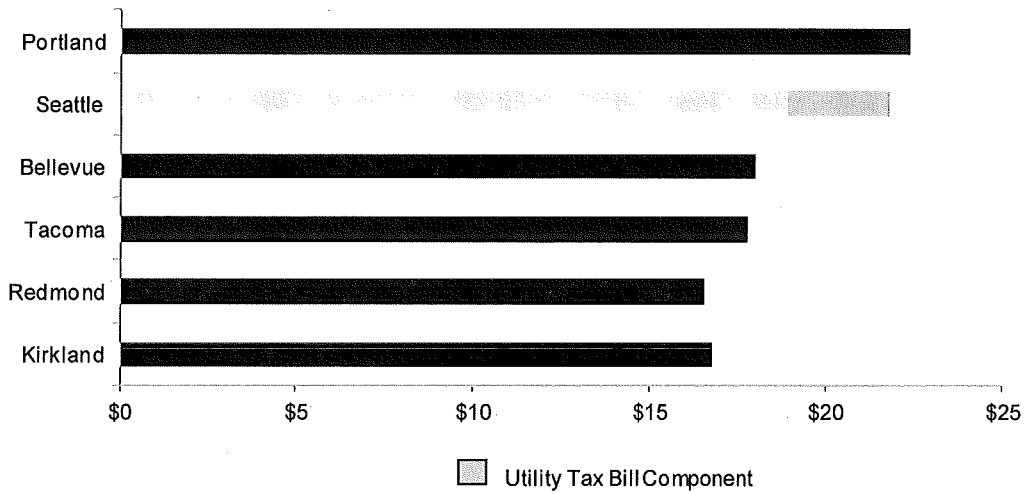


Figure E-2
Monthly Wastewater Bill Comparison
Single Family Residence
 Based on typical Seattle monthly usage of 4.3 ccf

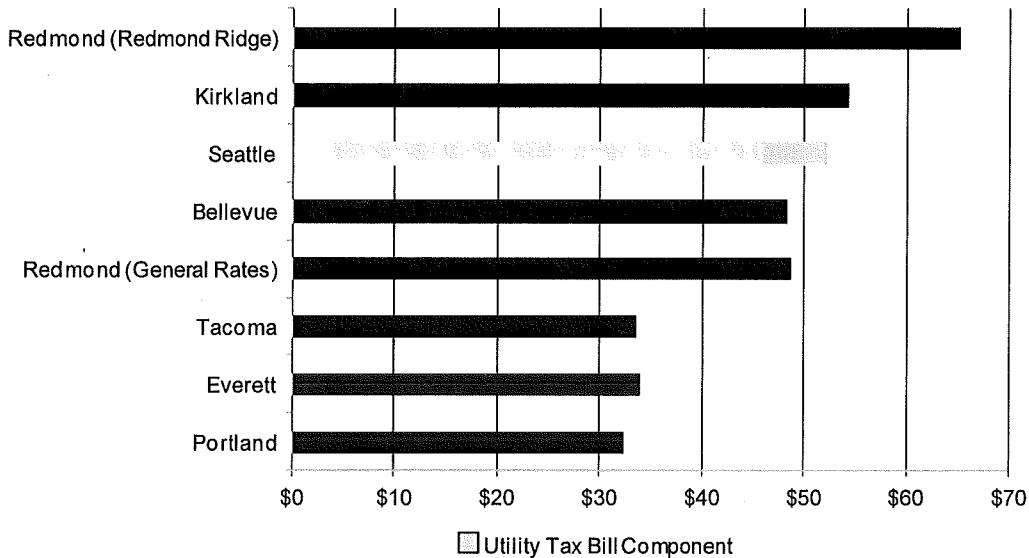


Figure E-3
Monthly Drainage Bill Comparison
Commercial (1 acre parcel)

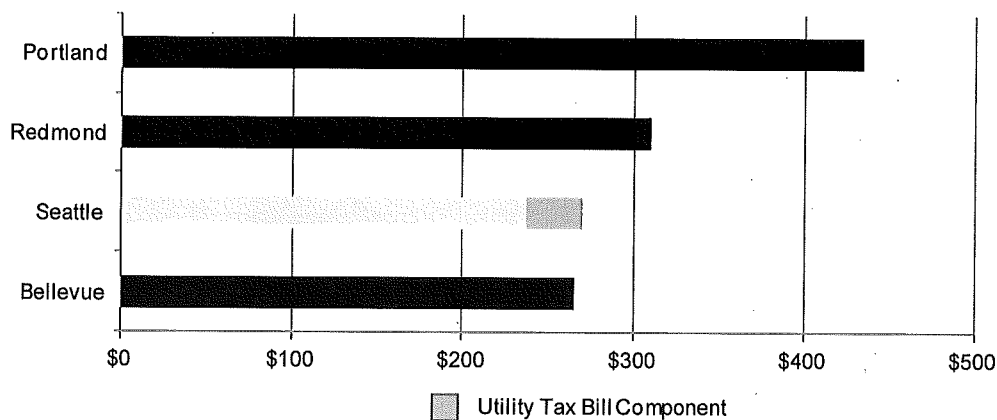
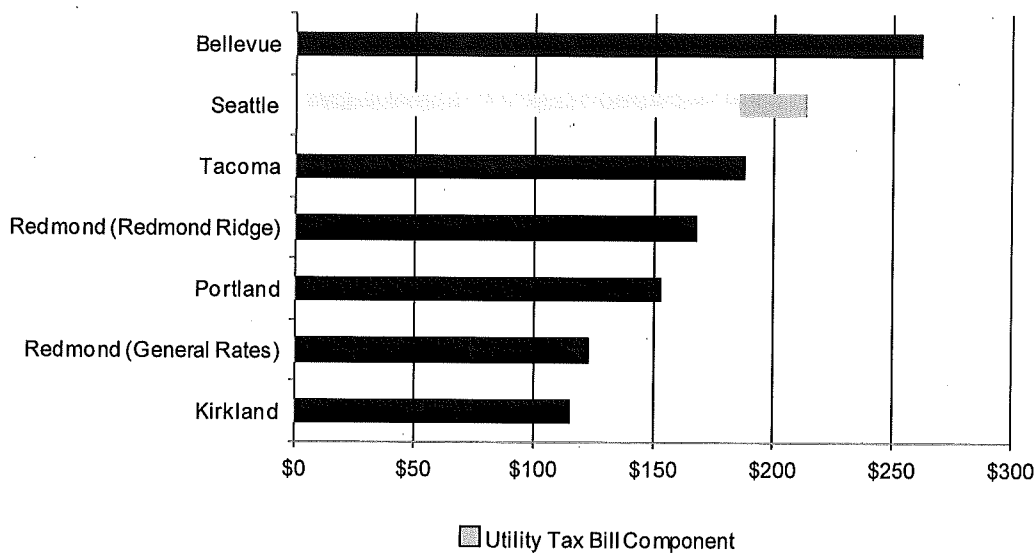


Figure E-4
Monthly Wastewater Bill Comparison
Commercial
 Based on Monthly Usage of 20 ccf



CITY OF SEATTLE
ORDINANCE _____
COUNCIL BILL 117521

AN ORDINANCE relating to wastewater services of Seattle Public Utilities; amending Section 21.28.040 of the Seattle Municipal Code to adjust the wastewater volume rate; and amending Subsection 21.76.040 A of the Seattle Municipal Code to adjust credits to low-income wastewater customers.

WHEREAS, the wastewater volume rate was last increased on January 1, 2012, as authorized by Ordinance 123449 to pass through increased King County treatment costs; and

WHEREAS, Seattle Public Utilities (SPU) has identified wastewater infrastructure needs requiring additional capital funding; and

WHEREAS, SPU has completed a rate study showing that existing wastewater volume rates will not provide sufficient revenues to pay debt service and the costs of providing wastewater services; and

WHEREAS, credits for qualified low-income customers not billed directly by SPU for water or wastewater services are based on typical residential bills, and credits for such customers need to be revised to reflect changes in the wastewater volume rate; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Subsection 21.28.040 B of the Seattle Municipal Code is amended as follows:

21.28.040 Wastewater volume charge.

* * *

THIS VERSION IS NOT ADOPTED



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B. The wastewater volume rate shall be the sum of the treatment rate and the system rate, as follows:

1. Treatment rate: The "treatment rate" shall be the rate required to pay the wastewater share of "treatment cost" which is the cost of wastewater treatment, interception and disposal services and any associated costs required to meet Drainage and Wastewater Fund financial policies. The treatment rate shall be the amount obtained when (a) the projected wastewater treatment cost is divided by (b) the projected billed wastewater consumption, each for the next calendar year, and the result is multiplied by ~~((one hundred sixteen and nine tenths percent ()))~~ 116.9((%)) percent to cover the costs of taxes and low income rate assistance. The projected treatment cost shall be the treatment cost anticipated for the upcoming calendar year, which may include an adjustment to reflect the difference, whether positive or negative, between the total expected treatment cost for the current year and the total wastewater volume charge revenues attributable to the treatment rate expected for the current year. The treatment rate is designed to pass through cost changes driven by King County and may be adjusted by ordinance at any time in response to such charges.

2. System rate: The "system rate" shall be the rate required to pay the cost of carrying and discharging all wastewater and any wastewater funded-share of stormwater into the City

THIS VERSION IS NOT ADOPTED



sewerage system, as presently maintained and operated and as may be added to, improved and extended.

3. The wastewater volume rate per CCF shall be in accordance with the following schedule:

	((Effective Jan. 1, 2010	Effective Jan. 1, 2011	Effective Jan. 1, 2012	<u>Effective Jan. 1, 2013</u>	<u>Effective Jan. 1, 2014</u>	<u>Effective Jan. 1, 2015</u>
Treatment Rate	\$6.03	\$6.01	\$6.94	<u>\$6.88</u>	<u>\$6.91</u>	<u>\$6.96</u>
System Rate	\$2.95	\$3.34	\$3.74	<u>\$3.98</u>	<u>\$4.08</u>	<u>\$4.14</u>
Wastewater Volume Rate	\$8.98	\$9.35))	\$10.68	<u>\$10.86</u>	<u>\$10.99</u>	<u>\$11.10</u>

* * *

Section 2. Subsection 21.76.040 A of the Seattle Municipal Code is amended as follows:

21.76.040 Utility low income rate assistance.

A. Drainage, Wastewater, and Water. Persons qualified by the Human Services Department as eligible recipients of low income utility credits provided for in Section 21.76.010 (eligible recipients) shall be granted low income billing credits in the following amounts:

THIS VERSION IS NOT ADOPTED



1
2 1. Wastewater. Eligible recipients billed directly by Seattle Public Utilities for wastewater
3 services and residing in single-family dwellings shall receive a credit equal to 0.5 times the total
4 current wastewater volume charge. Eligible recipients not billed directly by Seattle Public
5 Utilities for wastewater services shall receive the following credits based on dwelling type:
6

Effective Date	Single-family and duplex	Multifamily dwelling
((January 1, 2010	\$23.35 per month	\$16.16 per month
January 1, 2011	\$26.73 per month	\$18.50 per month))
January 1, 2012	\$27.77 per month	\$19.22 per month
<u>January 1, 2013</u>	<u>\$23.34 per month</u>	<u>\$16.29 per month</u>
<u>January 1, 2014</u>	<u>\$23.61 per month</u>	<u>\$16.47 per month</u>
<u>January 1, 2015</u>	<u>\$23.87 per month</u>	<u>\$16.65 per month</u>

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14 At the time of a change to the wastewater volume rate described in SMC 21.28.040, the Director
15 of Seattle Public Utilities shall calculate new credits based on dwelling type for eligible
16 recipients not billed directly by Seattle Public Utilities. The credit for Single-family and duplex
17 customers shall be 0.5 times the wastewater volume rate multiplied by ~~((5.2))~~4.3 CCF, which is
18 typical single family residential sewer billed consumption. The credit for Multifamily dwelling
19 customers shall be 0.5 times the wastewater volume rate multiplied by 3.6 CCF, which is typical
20 multifamily sewer billed consumption.
21

22
23 * * *

24 Section 3. The provisions of this ordinance are declared to be separate and severable. If
25 a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having
26 run, finds any provision of this ordinance to be invalid or unenforceable as to any person or
27

THIS VERSION IS NOT ADOPTED



1 circumstance, then such provision or provisions shall be null and severed from the rest of this
2 ordinance with respect to the particular person or circumstance. The offending provision with
3 respect to all other persons and all other circumstances, as well as all other provisions of this
4 ordinance, shall remain valid and enforceable.

5 Section 4. This ordinance shall take effect and be in force 30 days from and after its
6 approval by the Mayor, but if not approved and returned by the Mayor within ten days after
7 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

8
9 Passed by the City Council the ____ day of _____, 2012, and signed by me in
10 open session in authentication of its passage this ____ day of _____, 2012.

11
12
13 _____
14 President _____ of the City Council

15 Approved by me this ____ day of _____, 2012.

16
17 _____
18 Michael McGinn, Mayor

19 Filed by me this ____ day of _____, 2012.

20
21 _____
22 Monica Martinez Simmons, City Clerk

23
24 (Seal)

THIS VERSION IS NOT ADOPTED





City of Seattle
Office of the Mayor

July 3, 2012

Honorable Sally J. Clark
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Clark:

I am pleased to transmit the attached proposed Council Bill and supporting rate study that would establish Seattle Public Utilities' (SPU) wastewater rates for 2013, 2014, and 2015. These rate changes, which are necessary to cover SPU's cost of operations, would increase the typical monthly residential wastewater bill by \$0.77 in 2013, \$0.56 in 2014, and \$0.47 in 2015. To partially offset the impact of the rate increase, this legislation revises credits for qualifying low-income customers.

The proposed rate adjustments would benefit Seattle residents through continued improvements to the City's wastewater system, allowing the Drainage and Wastewater Fund to maintain strong financial performance and improving equity among ratepayers. A companion Bill that is being transmitted concurrently with this one establishes drainage rates.

Thank you for your consideration of this legislation. Should you have questions, please contact Maria Coe at 233-7905.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council



STATE OF WASHINGTON – KING COUNTY

--SS.

291356
CITY OF SEATTLE, CLERKS OFFICE

No. TITLE ONLY

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

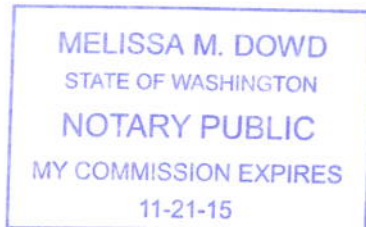
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:124029-124059 TITLE

was published on


12/12/12

The amount of the fee charged for the foregoing publication is the sum of \$428.96 which amount has been paid in full.




Subscribed and sworn to before me on

12/12/2012


Notary public for the State of Washington,
residing in Seattle

Affidavit of Publication

ORDINANCE NO. 124037

AN ORDINANCE relating to fleet services, authorizing the transfer to King County of certain vehicles leased from the City by Public Health - Seattle and King County; establishing the method for determining the value of the vehicles to be transferred; authorizing the Director of Finance and Administrative Services to execute an agreement with King County in order to complete the associated transition, including refunding County funds that were originally intended to replace the vehicles being transferred, compensating the City for those vehicle assets, transferring said vehicles; and ratifying and confirming certain prior acts.

ORDINANCE NO. 124038

AN ORDINANCE relating to the Joint Training Facility Project; amending Ordinance 121179, as last amended by Ordinance 123481, to extend the term of an interfund loan.

ORDINANCE NO. 124039

AN ORDINANCE relating to animal licensing; amending Section 9.25.100, Section 9.26.020 and Section 9.26.025 in connection therewith, and adding a new Section 9.25.200 to the Seattle Municipal Code, authorizing the establishment of amnesty periods by Director's rule.

ORDINANCE NO. 124040

AN ORDINANCE relating to animal regulations; changing shelter fees and regulations concerning the municipal spay and neuter clinic, and enhancing the Director's authority relating to pet adoptions, and amending Sections 9.25.030, 9.25.045, 9.25.081, 9.26.050 and 9.26.060 of the Seattle Municipal Code.

ORDINANCE NO. 124041

AN ORDINANCE relating to Seattle Center parking charges; amending Seattle Municipal Code Subsection 17.19.010.B to eliminate the distinction between event and non-event charges and authorizing the Seattle Center Director to establish charges for daily parking based upon minimum and maximum rates.

ORDINANCE NO. 124042

AN ORDINANCE relating to the Seattle Center Department; adopting a fee schedule from which the Seattle Center Director is authorized to set fees for 2013 and 2014 for use of Seattle Center facilities and property; adopting policies for use of Seattle Center facilities and event related service agreements; adding a new Section 17.16.005 to the Seattle Municipal Code; and amending Sections 17.16.010, 17.16.015, 17.16.020, 17.16.030, and 17.16.033 of the Seattle Municipal Code.

ORDINANCE NO. 124043

AN ORDINANCE authorizing, in 2012, acceptance of funding from non-City sources; authorizing the heads of the Office of Sustainability and Environment, the Seattle Fire Department, and the Seattle Police Department to accept specified grants and private funding and to execute, deliver, and perform corresponding agreements; and ratifying and confirming certain prior acts.

ORDINANCE NO. 124044

AN ORDINANCE relating to the Building and Construction Codes, Subtitle VI Fire Code; amending Seattle Municipal Code Sections 22.602.045, 22.602.050, 22.602.070, 22.602.080, and 22.602.090, to add, delete and revise various Seattle Fire Department permit, certificate, inspection and plan review fees and related provisions.

ORDINANCE NO. 124045

AN ORDINANCE relating to the electric system of The City of Seattle; authorizing the issuance and sale of municipal light and power revenue bonds for the purposes of providing funds for certain additions and betterments to and extensions of the existing municipal light and power plant and system of the City, paying the costs of issuing and selling those bonds and providing for the reserve fund requirement; providing for the terms, conditions, covenants and manner of sale of those bonds; describing the lien of those bonds; and ratifying and confirming certain prior acts.

ORDINANCE NO. 124046

AN ORDINANCE relating to financing the solid waste system of The City of Seattle, Washington; adopting a system or plan of additions and betterments to and extensions of the solid waste system; authorizing the issuance and sale of solid waste revenue bonds, in one or more series, for the purposes of paying all or part of the cost of carrying out that system or plan, providing a bond reserve and paying the costs of issuing and selling the bonds; authorizing the execution of certain agreements relating thereto; providing for the terms, conditions, covenants and manner of sale of the bonds; describing the lien of the bonds; creating certain accounts of the City relating to the bonds; and ratifying and confirming certain prior acts.

ORDINANCE NO. 124057

AN ORDINANCE relating to the Firefighters' Pension Fund established under RCW 41.16; amending Ordinance 117216 as last amended by Ordinance 123459 to continue the suspension of contributions to the Actuarial Account for an additional two years through 2014, requesting a study of investment options for the Actuarial Account, and clarifying the City Finance Director's authority to invest funds in the account.

ORDINANCE NO. 124058

AN ORDINANCE adopting a budget, including a capital improvement program and position modifications, for The City of Seattle for 2013; creating positions exempt from civil service; all by a two-thirds vote of the City Council.

ORDINANCE NO. 124059

AN ORDINANCE relating to the City Light Department; directing the transfer of certain funds in the Light Fund into the Rate Stabilization Account in 2012.

Date of publication in the Seattle Daily Journal of Commerce, December 12, 2012.
12/12(291356)

The full text of the following legislation, passed by the City Council on November 19, 2012, and published below by title only, will be mailed upon request, or can be accessed at <http://clerk.seattle.gov>. For information on upcoming meetings of the Seattle City Council, please visit <http://www.seattle.gov/council/calendar>. Contact: Office of the City Clerk at (206) 684-8344.

ORDINANCE NO. 124029

AN ORDINANCE authorizing the Director of Finance and Administrative Services to execute a Third Amendment to the Lease and Concession Agreement between the City of Seattle and BH Music Center; and ratifying and confirming certain prior acts.

ORDINANCE NO. 124030

AN ORDINANCE authorizing the levy of regular property taxes by The City of Seattle for collection in 2013, representing

an increase above the regular property taxes levied for collection in 2012; and ratifying and confirming certain prior acts.

ORDINANCE NO. 124031

AN ORDINANCE relating to the Seattle Center Department; amending Ordinance 123644 to increase and extend the term of an interfund loan to the Seattle Center Operating Fund; and ratifying and confirming certain prior acts.

ORDINANCE NO. 124032

AN ORDINANCE relating to the levy of property taxes; fixing the rates and/or amounts of taxes to be levied, and levying the same upon all taxable property, both real and personal, in The City of Seattle, to finance the departments and activities of City government and to provide for the general obligation bond interest and redemption requirements for the year beginning on the first day of January 2013; and ratifying and confirming certain prior acts.

ORDINANCE NO. 124033

AN ORDINANCE relating to the financing of the Alaskan Way Viaduct and Seawall Replacement Program; amending Ordinance 123761 to increase the amount of an interfund loan.

ORDINANCE NO. 124034

AN ORDINANCE relating to City employment; establishing a 2013 furlough program for certain employees not covered by collective bargaining agreements.

ORDINANCE NO. 124035

AN ORDINANCE relating to City employment; establishing twenty-five (25) unfunded positions in the Personnel Department to be utilized by City departments to perform work that otherwise would be contracted out; and ratifying and confirming certain prior acts.

ORDINANCE NO. 124036

AN ORDINANCE relating to the Department of Parks and Recreation; establishing the 2013-2014 fee schedule for the use of park properties and other park and recreation facilities and services; superseding previous park and recreation fee schedules; and amending Section 18.28.010 of the Seattle Municipal Code.

Page 2 of 4 andavit

ORDINANCE NO. 124047

AN ORDINANCE related to fees and charges for permits and activities of the Department of Planning and Development and related fees by other departments; amending Seattle Municipal Code Chapter 22.900A, Administration and Enforcement; Chapter 22.900B, General Provisions; Chapter 22.900C, Fees for Land Use Review; Chapter 22.900D, Fees for New and Altered Buildings and Equipment; Chapter 22.900E, Fees for Certificates and Registrations; Chapter 22.900F, Compliance and Other Inspections; and Chapter 22.900G, Fees Collected for Other Departments.

ORDINANCE NO. 124048

AN ORDINANCE appropriating money to pay certain audited claims and ordering the payment thereof.

ORDINANCE NO. 124049

AN ORDINANCE relating to drainage services of Seattle Public Utilities (SPU); amending Section 21.33.010 of the Seattle Municipal Code to update definitions; amending Section 21.33.030 of the Seattle Municipal Code to update exemptions from drainage rates and adjust drainage rates; amending Sections 21.33.050 and 21.33.070 to clarify billing and collection procedures; and amending Section 21.76.040 of the Seattle Municipal Code to revise credits to low income drainage customers.

ORDINANCE NO. 124050

AN ORDINANCE relating to wastewater services of Seattle Public Utilities; amending Section 21.28.040 of the Seattle Municipal Code to adjust the wastewater volume rate; and amending Subsection 21.76.040 A of the Seattle Municipal Code to adjust credits to low-income wastewater customers.

ORDINANCE NO. 124051

AN ORDINANCE relating to drainage and wastewater services of Seattle Public Utilities; adjusting wastewater and drainage rates to pass through increased treatment costs charged by King County; amending Sections 21.28.040 and 21.33.030 of the Seattle Municipal Code to reflect the adjusted rates; and amending Section 21.76.040 of the Seattle Municipal Code to adjust credits to low-income drainage and wastewater customers.

ORDINANCE NO. 124052

AN ORDINANCE, relating to the Seattle Department of Transportation's Commuter Services Program; authorizing the Director of Finance and Administrative Services to adjust parking fees in the Seapark and Seattle Municipal Tower Garages in association with the Commute Trip Reduction

Program's Guaranteed Ride Home Program for City employees; establishing that such fees be lower than regular daily parking fees in those facilities; and deleting obsolete language and amending Ordinance 119758 in connection thereto.

ORDINANCE NO. 124053

AN ORDINANCE relating to contracting indebtedness; authorizing and providing for the issuance and sale of limited tax general obligation bonds to pay all or part of the cost of financing elements of the City's capital improvement program, issuing and selling the bonds, and other City purposes approved by ordinance; providing for terms and sale of the bonds; creating a bond fund; and ratifying and confirming certain prior acts.

ORDINANCE NO. 124054

AN ORDINANCE related to the 2012 Budget; amending Ordinance 123758, which adopted the 2012 Budget, including the 2012-2017 Capital Improvement Program (CIP); creating new appropriations; changing appropriations to various departments and budget control levels, and from various funds in the Budget; adding new projects; creating positions; and ratifying and confirming certain prior acts; all by a 3/4 vote of the City Council.

ORDINANCE NO. 124055

AN ORDINANCE adopting the 2013 Annual Action Plan to the City of Seattle 2009 - 2012 Consolidated Plan for Housing and Community Development, as amended; authorizing the submission of the 2013 Annual Action Plan to the United States Department of Housing and Urban Development; and authorizing the Human Services Director to make changes to the Plan for certain purposes.

ORDINANCE NO. 124056

AN ORDINANCE relating to the solid waste system of Seattle Public Utilities; revising rates and charges for solid waste services; revising credits to low income customers for solid waste services; offering free disposal at City recycling and disposal stations to low income customers under certain conditions; revising rates for yellow pages phone book recovery fees; establishing conditions for adjustments to 2015 and 2016 solid waste rates; establishing conditions for deposits to and withdrawals from the rate stabilization account of the Solid Waste Fund; and amending Chapters 21.40, 21.76 and 6.255 of the Seattle Municipal Code.