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CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL 117655

AN ORDINANCE relating to water services of Seattle Public Utilities; revising facilities charges for service to wholesale customers, and amending Seattle Municipal Code Chapter 21.04.440 in connection therewith.

WHEREAS, Seattle Public Utilities provides wholesale water service to many water utilities surrounding Seattle (Wholesale Customers) under the provisions of various long-term water supply contracts; and

WHEREAS, the provisions of the Full and Partial Requirements Contract for Supply of Water (Contracts) require Wholesale Customers to pay a new service fee (Facility Charge) at the time they connect a new retail customer to their respective retail water distribution systems; and

WHEREAS, the Facilities Charge is intended as a mechanism for growth to pay for growth, and therefore the charge varies by connection size as a proxy for customer demand; and

WHEREAS, the requirement for residential sprinkler systems varies across the wholesale service area, impacting the minimum connection size new retail customers install sometimes resulting in Facilities Charges based on fire sprinkler requirements rather than customer demand; and

WHEREAS, the Operating Board of the Seattle Regional Water Supply System has expressed a preference to address this by combining the Facilities Charge for the smallest two connection sizes; and

WHEREAS, the updated Facilities Charge has been calculated as the weighted average of the two smallest connection sizes and is therefore revenue neutral to Seattle; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Subsection 21.04.440 E.2 of the Seattle Municipal Code is amended as follows:



1 **SMC 21.04.440 Rates outside City.**

2 * * *

4 E. Wholesale Customers--Commodity and Base Charges

6 * * *

8 2. Full or Partial Requirements Contracts. The rate to be charged to wholesale customers being
 9 served under the provisions of contracts substantially in the form of the Full and Partial
 10 Requirements Contracts for the Supply of Water that were authorized by Ordinance 120362 or
 11 123559 ("Full or Partial Requirements Contract") shall consist of a commodity charge,
 12 surcharges, discounts, and facilities charges as follows:

14 Commodity Charge	Effective	Effective	Effective	Effective
15 Per 100 Cubic Feet of Water	Jan. 1, 2011	Jan. 1, 2012	Jan. 1, 2013	Jan. 1, 2014
16 Summer (May 16th - September 15th)	\$1.79	\$2.26	\$2.26	\$2.27
17 Winter (September 16th - May 15th)	\$1.16	\$1.52	\$1.53	\$1.53

19
 20 The following surcharges apply to each wholesale customer that has agreed to them in a contract
 21 substantially in the form of the Full or Partial Requirements Contracts:

23 Additional Charge	Effective	Effective	Effective	Effective
24 Per 100 Cubic Feet of Water	Jan. 1, 2011	Jan. 1, 2012	Jan. 1, 2013	Jan. 1, 2014
25 Transition Growth Surcharge	\$0.60	expired	expired	expired
26 Northwest Wheeling Rate Surcharge	\$0.02	\$0.02	\$0.02	\$0.02



1	Southwest Subregion Surcharge	\$0.05	\$0.06	\$0.07	\$0.07
2	East Subregion, Segment #3 Surcharge	\$0.15	\$0.15	\$0.15	\$0.16
3	East Subregion, Segment #4 Surcharge	\$0.07	\$0.18	\$0.19	\$0.19
4	Renton New Supply Discount	N/A	\$0.02	\$0.02	\$0.02

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 6 In addition, each wholesale customer served under a contract substantially in the form of the Full
 7 or Partial Requirements Contracts that requires payment of facilities charges based on each new
 8 metered service connection installed within its service area shall pay the facilities charges
 9 according to the following schedule:
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 12 ((Effective January 1, 2011:))

13 **Meter Size Facilities Charge**

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15	3/4 inch and smaller	\$ 783.00
16	1 inch	1,566.00
17	1 1/2 inch	3,915.00
18	2 inch	6,264.00
19	3 inch	17,226.00
20	4 inch	24,273.00
21	6 inch	51,678.00
22	8 inch	87,696.00
23	10 inch	132,327.00
24	12 inch and larger	186,354.00

25
 26 Effective January 1, 2013:
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1	<u>Meter Size</u>	<u>Facilities Charge</u>
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3	<u>1 inch and smaller</u>	<u>\$ 877.00</u>
4	<u>1 1/2 inch</u>	<u>3,915.00</u>
5	<u>2 inch</u>	<u>6,264.00</u>
6	<u>3 inch</u>	<u>17,226.00</u>
7	<u>4 inch</u>	<u>24,273.00</u>
8	<u>6 inch</u>	<u>51,678.00</u>
9	<u>8 inch</u>	<u>87,696.00</u>
10	<u>10 inch</u>	<u>132,327.00</u>
11	<u>12 inch and larger</u>	<u>186,354.00</u>
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1 Section 2. This ordinance shall take effect and be in force 30 days from and after its
2 approval by the Mayor, but if not approved and returned by the Mayor within ten days after
3 presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

4 Passed by the City Council the ____ day of _____, 2012, and signed by me in
5 open session in authentication of its passage this ____ day of _____, 2012.
6

7
8
9 _____
10 President _____ of the City Council

11 Approved by me this ____ day of _____, 2012.
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13 _____
14 Michael McGinn, Mayor
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16 Filed by me this ____ day of _____, 2012.
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18 _____
19 Monica Martinez Simmons, City Clerk
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21 (Seal)
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FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Seattle Public Utilities	Regina Carpenter/684-0836	Karl Stickel/684-8083

Legislation Title:

AN ORDINANCE relating to water services of Seattle Public Utilities; revising facilities charges for service to wholesale customers, and amending Seattle Municipal Code Chapter 21.04.440 in connection therewith.

Summary of the Legislation:

This ordinance would adjust certain charges to wholesale water customers of the Seattle Regional Water Supply System consistent with the provisions of the Full and Partial Requirements Contract for Supply of Water between Seattle Public Utilities (SPU) and these utilities.

Background:

The majority of Seattle's water wholesale contracts require wholesale customers to pay SPU a one-time, new service fee (or facilities charge) when they connect new retail customers to their water distribution systems. The facilities charge is based on the cost of new water supply investments, which include regional water conservation. This is the "growth pays for growth" concept of the contracts.

The facilities charge is structured such that connection size is used as a proxy for demand, with 5/8" and 3/4" connections paying \$783, 1" connections paying \$1,566, and so on. The requirement for residential sprinkler systems, which necessitates increasing a connection from 5/8" or 3/4" to 1" with no expected increase in demand, varies across the wholesale service area. The Operating Board of the Seattle Regional Water Supply System has expressed concern that size is no longer a valid proxy for demand for these sizes. Seattle has proposed combining all 1" and smaller connections into one facilities charge of \$877, and the Operating Board supports this change.

Please check one of the following:

This legislation does not have any financial implications.

This legislation has financial implications.

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?**
There would be no financial cost to Seattle ratepayers. This legislation has implications for customers within the wholesale service area, who would be paying either \$93 more or \$689 less for their connection. However, because the combined rate is weighted by demand for each connection size, overall revenues will not change, causing no fiscal impact to Seattle.
- c) Does this legislation affect any departments besides the originating department?**
No.
- d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?**
No alternative would achieve similar objectives.
- 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?**
No.
- g) Does this legislation affect a piece of property?**
No.
- h) Other Issues:**
None.

List attachments to the fiscal note below:
None.





City of Seattle
Office of the Mayor

October 30, 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 that would adjust facilities charges for Seattle Public Utilities' wholesale water customers.

Certain SPU wholesale water customers pay facilities charges when they connect a new retail customer to their retail water systems. These charges vary by retail connection size and recover costs of the regional water conservation program as a mechanism for growth to pay for growth. Varying requirements for residential sprinkler systems across the wholesale service area sometimes result in residential customers paying higher facilities charges for oversized 1" connections based on fire sprinkler requirements rather than customer demand. This legislation will address this problem by combining facilities charges for the two smallest connection sizes, 3/4" and 1", into a single combined facilities charge set to produce the same total revenue.

This legislation has no impact on current rates or projected revenues, and only impacts wholesale customers. Thank you for your consideration of this legislation. Should you have questions, please contact Regina Carpenter at 684-0836.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

