

# **Seattle Public Utilities Wholesale Water Contracts - Update Wholesale Rates**

**Presentation to the SPUN Committee  
September 23, 2014**

# Background

- Seattle supplies water to 20 water utilities under long term contracts (includes suburban cities, water districts, and the Cascade Water Alliance).
- Block Contracts, where the customer pays an annual amount for an annual volume of water (their "block" amount) whether or not they take the full block.
- Full and Partial Requirements Contracts, where customers pay commodity rates for actual water delivered each month.
  - Full and Partial rates were last set covering 2012 through 2014.
  - This legislation would update these rates for 2015 through 2017.

# Details of Wholesale Contracts

- Wholesale contracts describe the procedures for cost allocation and development of rates for wholesale customers.
- The contracts have a mechanism that tracks accumulated surpluses (or deficits) of annual wholesale rate revenues as compared to annual costs so that there is no over (or under) collection of revenues from wholesale customers over time.
- The contracts require that the rate study be reviewed by an independent rate consultant.
- The rate study inputs and results were shared with the joint SPU-wholesale Water Supply Operating Board as they were developed.

# Details of Rate Adjustments

- Wholesale rates include a uniform commodity rate for all Full and Partial Requirements Contract customers, and surcharges and discounts for certain wholesale customers that receive slightly different levels of service.
- Commodity rate is decreasing due to increase in wholesale demand as compared to the demand assumption used when wholesale rates were set in 2011.
- Other surcharges and discounts are increasing or decreasing based on their particular circumstances.

# Rate Changes

Rate per ccf	Current (2014)	Proposed (2015-2017)
<b><u>Commodity Rate</u></b>		
Off-Peak	\$1.53	\$1.42
Peak	\$2.27	\$2.10
<b><u>Other Surcharges &amp; Discounts</u></b>		
Southwest Surcharge	\$0.07	\$0.16
East Segment #3 Surcharge	\$0.16	\$0.08
East Segment #4 Surcharge	\$0.19	\$0.16
Renton New Supply Discount		
Off-Peak	\$0.02	\$0.01
Peak	\$0.02	\$0.02