

Drinking Water Line of Business

**May 6, 2013 Discussion
With the Customer Review Panel**

Seattle
 Public
Utilities

Structure of Presentation for Drinking Water LOB

1. The Big Picture

- Overview Statistics
- System Map
- System Process
- Historical and Projected Water Consumption

2. Finances

- Sources & Uses of Funds
- Capital Investment Cycle

3. Customer Promises

4. Customer Engagement

5. Looking To 2015-2020

- Opportunities for strategic focus
- Decisions already made
- Decisions to make

The Big Picture:

Overview Statistics for Size, Employees, Regulators

Size

Service Territory

- City of Seattle
- Half of rest of King County
- Parts of south Snohomish County

Infrastructure

- Supply: Tolt and Cedar River Watersheds; Seattle Wellfields
- Water Quality: excellent water source protection; treatment plants on Tolt and Cedar; groundwater treatment and booster chlorination
- 193 miles transmission pipelines, 16"-96" in diameter
- 1,680 miles distribution mains, <2"-42" in diameter
- 354.5 million gallons treated water storage
- Seattle City Light hydro plants on Cedar and Tolt

Employees

Employees (2013 budgeted) 658

Unions 15

Regulators

- WA State Dept of Health (Safe Drinking Water Act)
- WA State Department of Ecology

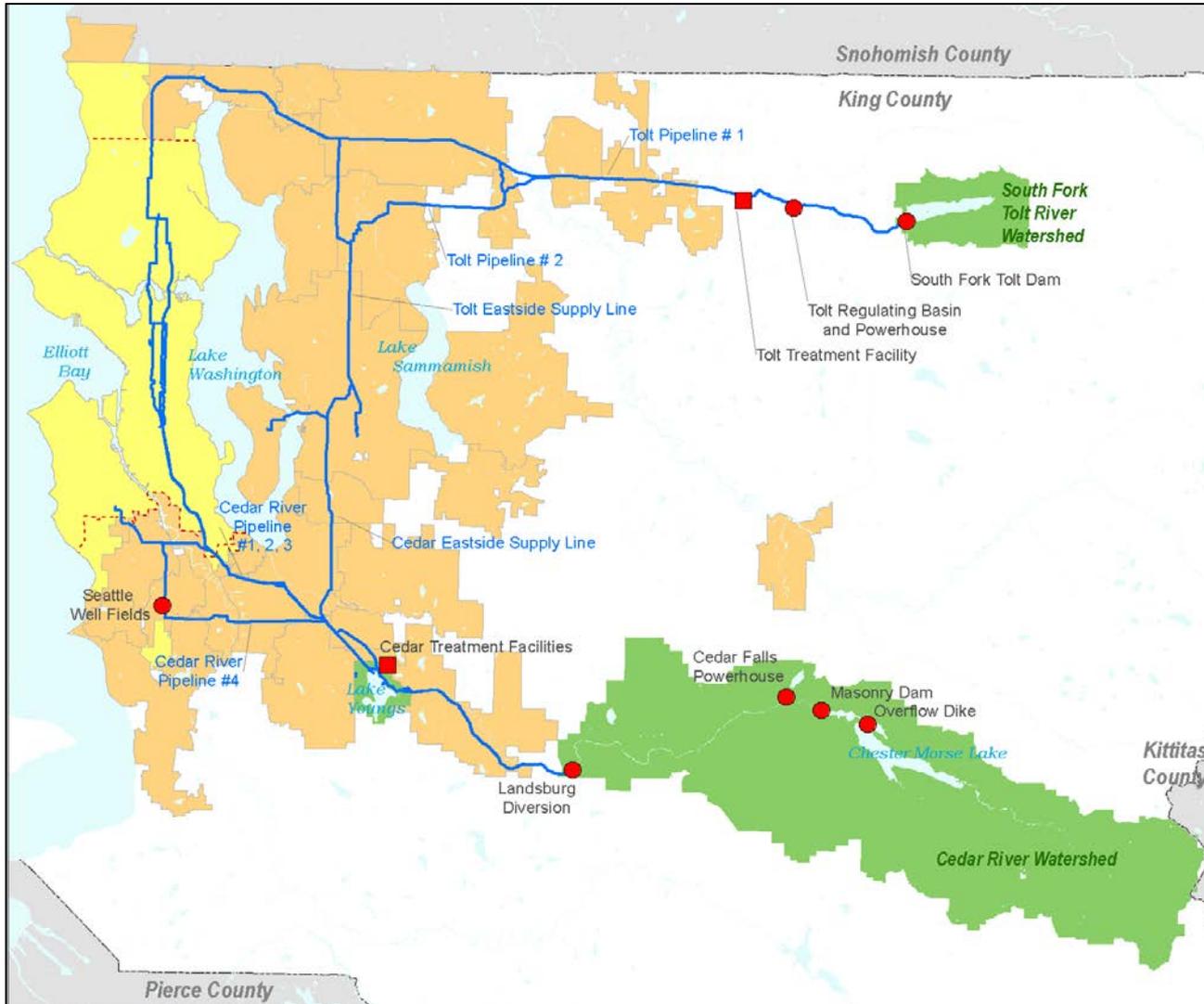
The Big Picture:

Overview Statistics for Rates and Bills

Rates and Bills

Length of Current Rate Path	3 years; 2012 -2014
Billing Mechanism	Combined Utility Bill
2012 Rate Revenue	\$202.6 million
Number of Customer Accounts	<ul style="list-style-type: none">▪ 188,000 retail accounts▪ Water also sold to Cascade Water Alliance and 19 other wholesale customers
Rate Methodology	<ul style="list-style-type: none">▪ Retail bills based on metered water usage and meter size, with higher seasonal rates in the summer▪ Wholesale bills based on contracts and metered water use
Retail Customer Classes	Two subclasses: residential and commercial; very similar rates

The Big Picture: Seattle's Regional Water System

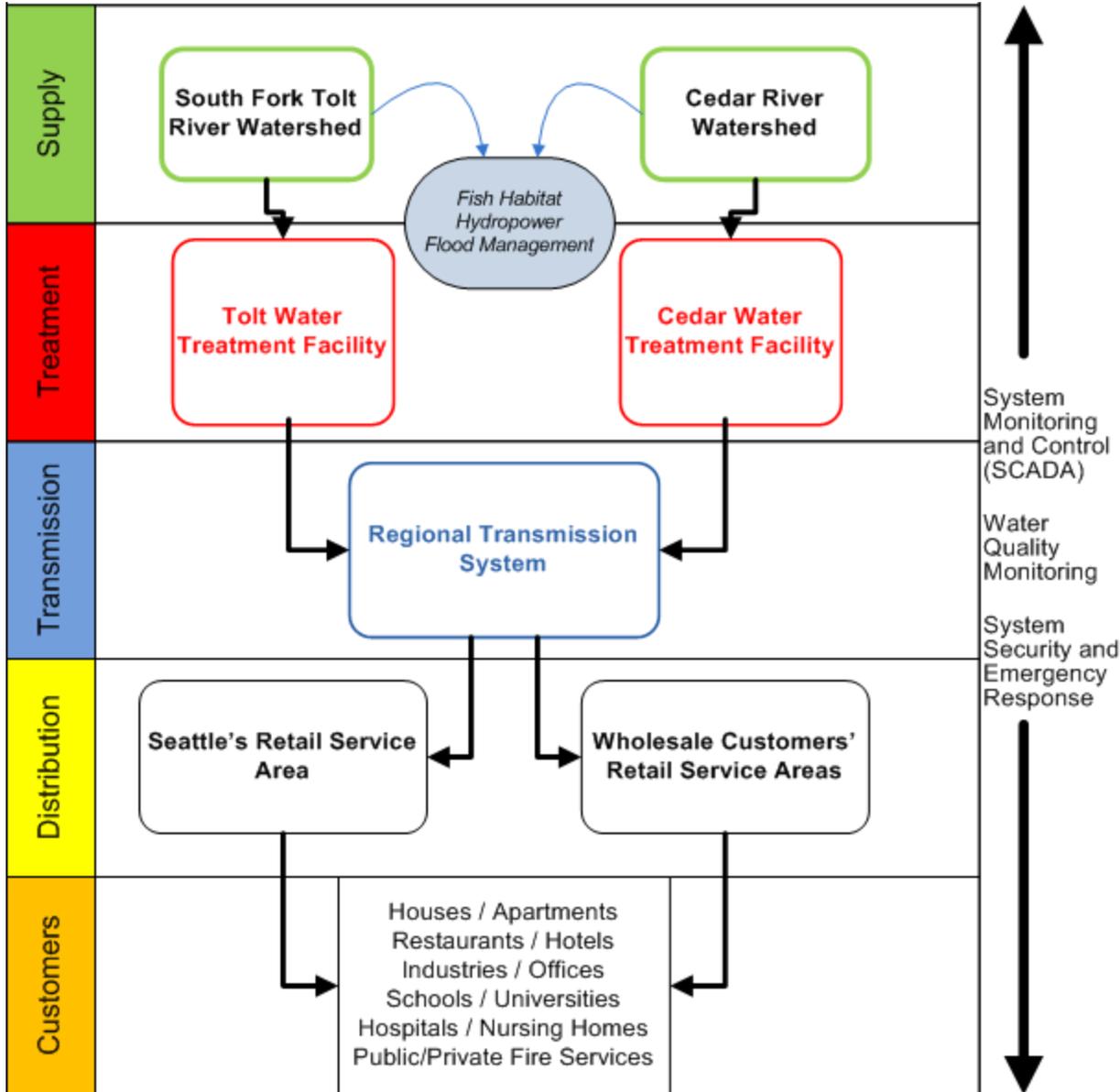


**Seattle Retail
Service Area**

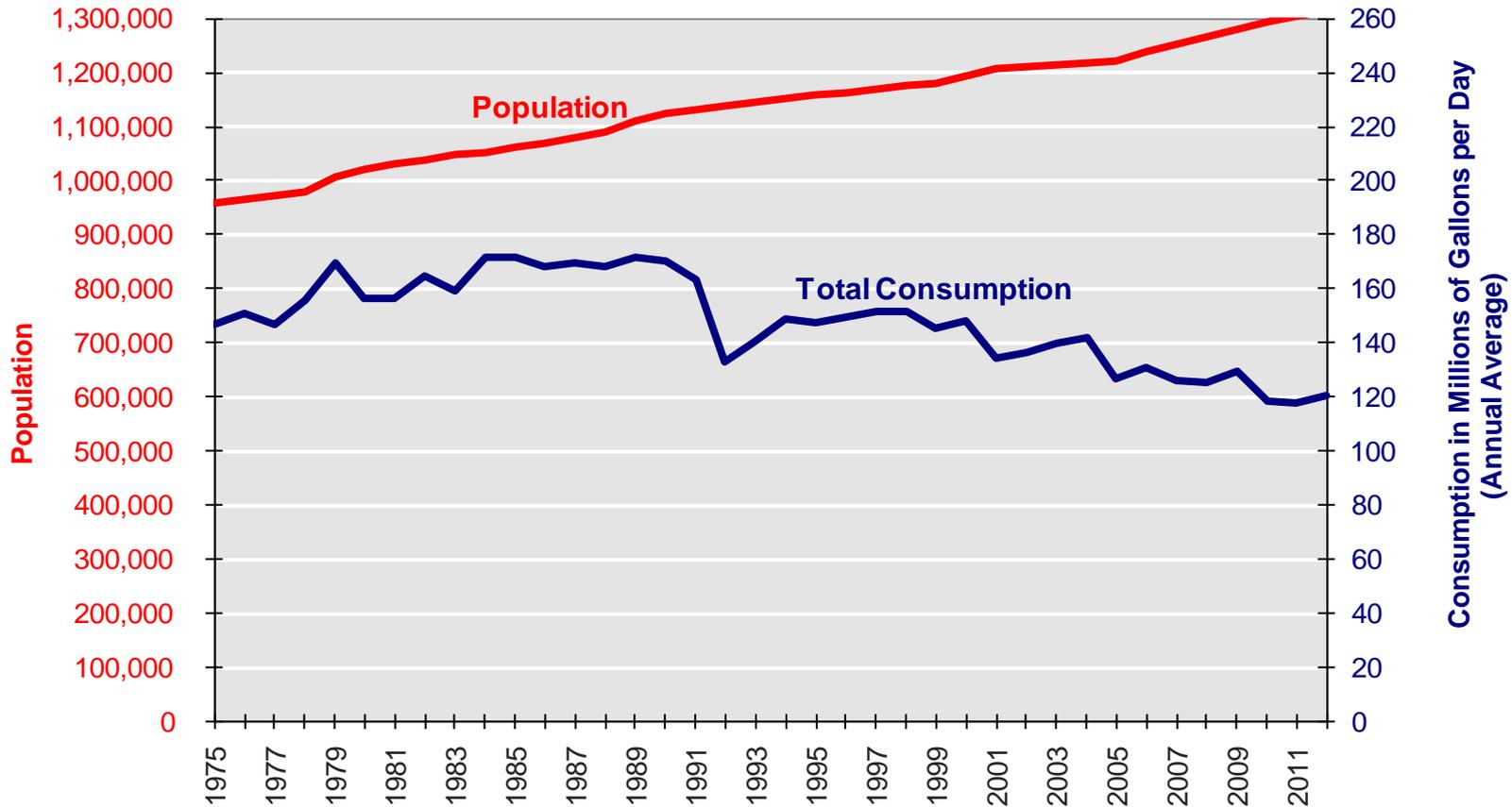
**Wholesale
Customers**

Watersheds

The Big Picture: Drinking Water Process from Source to Tap

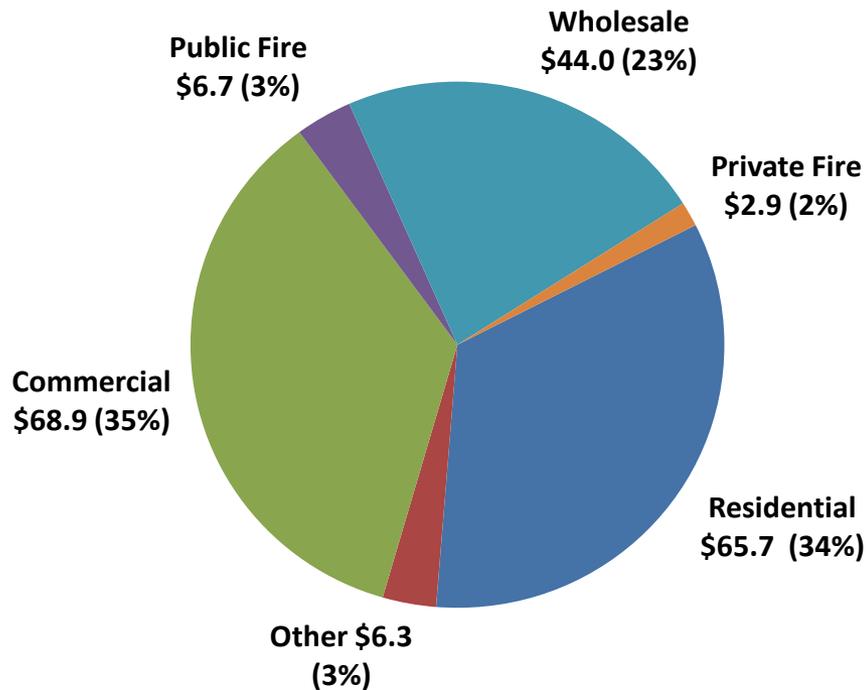


The Big Picture: Water Consumption



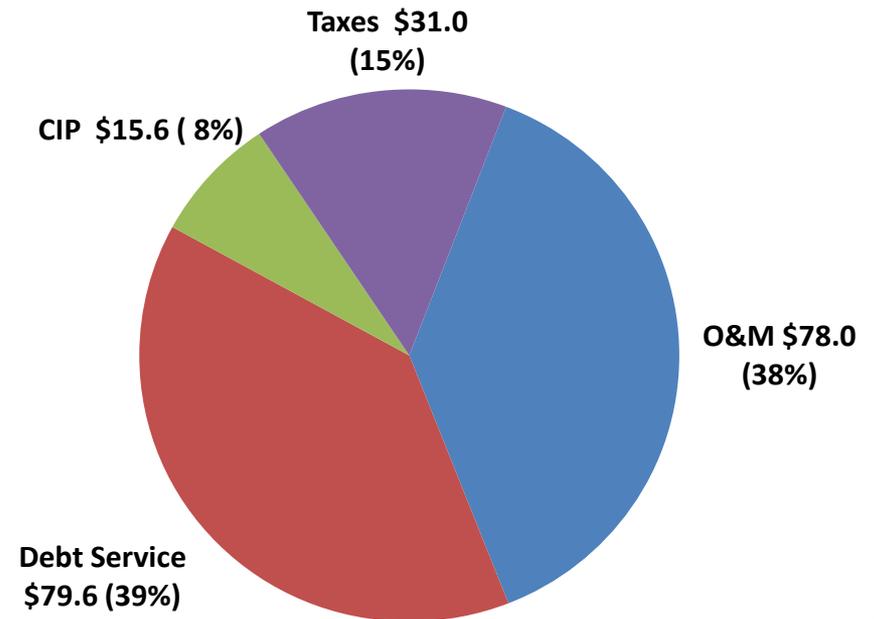
Sources and Uses of Drinking Water Funds

Operating Revenue



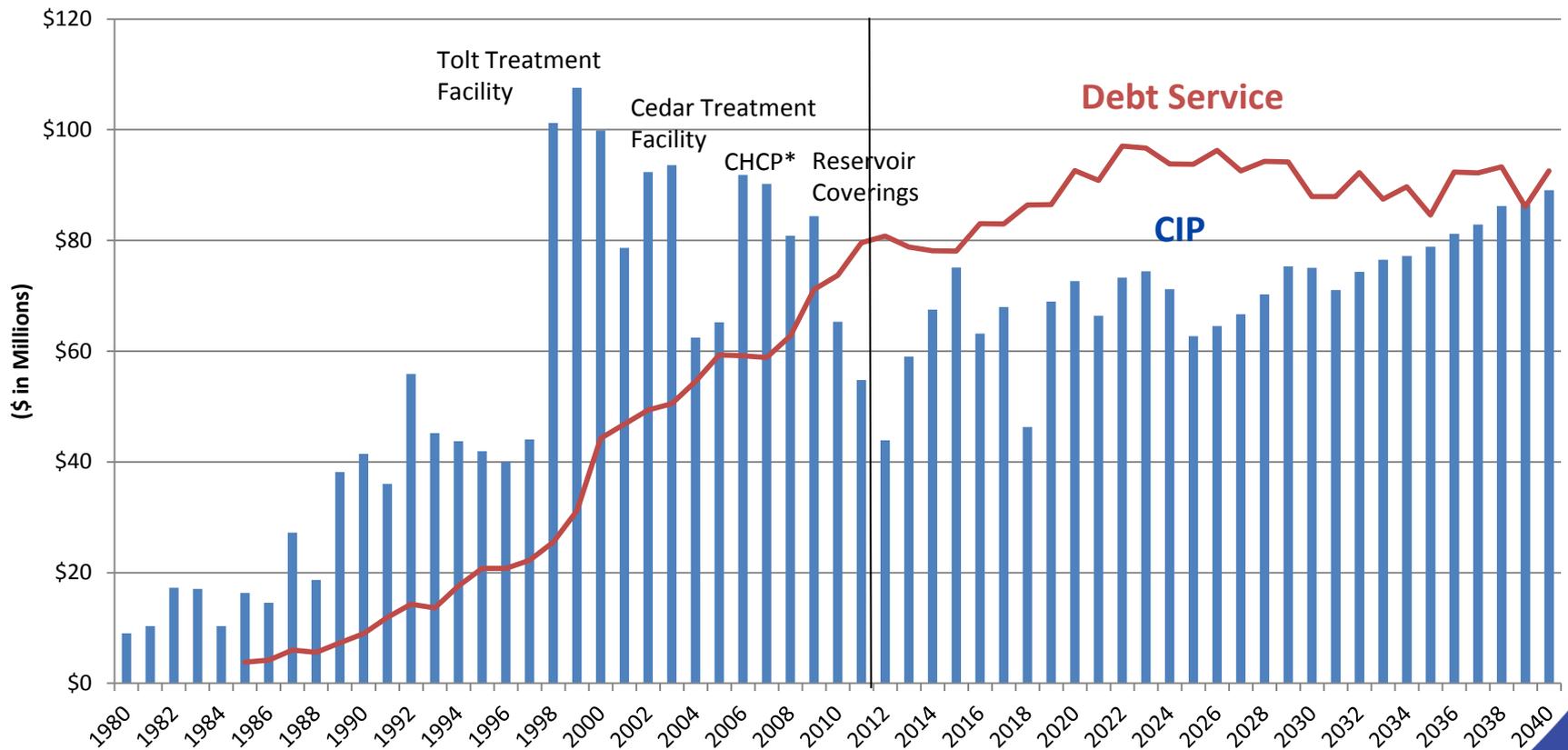
2011 Operating Revenue = \$194 million

Operating Expense



2011 Operating Expense = \$204 million

Where We Are in Our Capital Investments (Graphic Uses 2011 Data)



* Cedar Habitat Conservation Plan

Our Promises to Customers

SPU uses the following service targets as key indicators of quality and success:

Regional System

- Supply drinking water that meets or exceeds Department of Health regulations
- Respond to 90% of high priority drinking water problems within one hour
- Provide in-stream water for fish and meet other tribal, regional, state, and federal commitments
- Achieve goals for water conservation & leakage loss

Retail System

- Meet state requirements for drinking water system pressure
- Limit yearly drinking water outages totaling more than four hours to less than 4% of retail customers

Wholesale Customers

- Meet pressure and flow requirements of wholesale drinking water contracts
- Limit unplanned outages in the drinking water transmission system to within the maximum agreed duration

Are We Keeping Our Promises?

The short answer is YES

The longer answer is:

- We have extremely high quality drinking water that we will continue to maintain and protect
- We have an abundant supply of water – enough until 2060 and beyond – for people and fish
- We have a transmission & distribution system that is very reliable
- We respond quickly when problems arise
- We meet our conservation and leakage loss goals

Customer Engagement

Public behaviors in a number of areas have significant impacts on our ability to keep our promises and make Seattle the best place to live:

- Customer Confidence: Drinking water is the sole consumable product of SPU – customer confidence in the safety, taste, and reliability of the product is critical
- Customer Education: Bottled vs tap water, Cedar Ed Center,
- Operating Board: Voice and vote for wholesale customers
- Saving Water Partnership: Participation in regional water conservation programs

Strategic Business Plan Opportunities For Being Efficient, Forward Looking and Solving Problems at the Source

- Increasing focus on Transmission and Distribution System Asset Management
- Transportation-Related Investment Support
- Earthquake Resiliency Improvements
- Sustainability and Climate Change
- Planned ramp down of Cedar River Watershed Habitat Conservation Plan activities
- Additional Integration of Water and Drainage & Wastewater operations and maintenance activities

Looking to 2015-2020: Decisions Already Made

- Wholesale contract terms
 - Contracts negotiated through 2062; may be reopened in limited way in 2020
 - Cascade contract negotiated by spring 2013
- Morse Lake Pump Plant replacement
 - Making significant investment to replace older with new floating pumps and improve the discharge channel
- 2013-2018 Regional water Conservation Goal
 - State-required goal established with Operating Board and through 2013 Water System Plan

Looking to 2015-2020:

Decisions To Make – Some Possible Action Plans

- Investments in distribution system (level & strategy):
What is an appropriate level and pace of investment in the water distribution system?
- Earthquake resiliency, next phase:
What is the appropriate level and pace of investment in seismic resiliency throughout the system?
- Bitter Lake Reservoir cover:
Reservoir has floating cover near the end of its life in about 2020 – do we replace floating cover, or bury the reservoir?