

Seattle Public Utilities Customer Review Panel

Friday April 17, 2020

1:00 – 4 pm

Virtual Meeting held via Skype

Panel Members			
Suzie Burke	X	Noel Miller	X
Bobby Coleman	X	Thy Pham	X
Dave Layton	X	Rodney Schauf	X
Laura Lippman	X	Puja Shaw	X
Maria McDaniel	X		
Staff and Others			
Keri Burchard-Juarez	X	Andrew Lee	X
Kathleen Baca		Natasha Papsoueva	X
Alex Chen	X	Ellen Pepin-Cato	
Jeff Fowler	X	Dani Purnell	X
Brian Goodnight	X	Karen Reed	X
Mami Hara	X	Rick Scott	
Wylie Harper		Karen Sherry	X
Akshay Iyengar	X	Jonathan Swift	X
Paula Laschober	X		

Underlined text indicates action items. ***Bold Italicized text*** indicates follow up items.

Meeting Summary

Welcome: Karen Reed opened the meeting with a roll call of the Panel members and reviewed the virtual meeting protocols. Noel, Rodney, Laura, Suzie, Puja, and Bobby were present at the start of the meeting. Thy and Maria join shortly after.

Mami Hara, General Manager/CEO of Seattle Public Utilities (SPU), welcomed those in attendance. She thanked them for joining the virtual meeting and for their patience with the technology. Mami thanked the staff for work preparing for today's meeting and reviewed the agenda.

Standing Items: Karen Reed asked if there were any questions or concerns about the Question Tracker and email follow up that was sent to the Panel on April 15. There were none. Karen asked for corrections to the meeting summary from the April 3, 2020 meeting. Puja requested that she not be marked as a participant due the technical difficulties she was experiencing at the last meeting. One additional correction was noted on page 5: SPU should be changed to SBP in the SBP Elements summary. The meeting summary for April 3, 2020 was approved as amended.

SPU in the News/GM Comments. Mami updated the Panel on the timing for delivering the Strategic Business Plan (SBP) to the Mayor and Council. Initially SPU had planned to deliver the completed SBP in early June. However, due to the impacts of COVID, SPU has decided to pause after the Panel's mid-May meeting. SPU suggests the Panel spend the next two meetings developing their draft letter with the information presented so far with the understanding the

Panel will go back and revise the letter after SPU is able to provide more information about how COVID impacts will affect the SBP, and reviews the final SBP later this year. It is our hope to deliver the final SPB in January 2021. Karen Reed asked for feedback from the Panel. Discussion points included:

- I was reluctant to let go and not finish, but I understand the situation. I would like to go as far as possible while things are fresh in our minds. We'll come back and make edits at a later date.
- I agree it's right to suspend what we are doing because there are so many unknowns. The rate path will change. Customers will change the way they interact with SPU. Who pays is going to change. I am willing to go with the group but would be surprised if the costs and revenue coming in in not significantly changed.
- Taking a pause is the right idea. Let's collect our thoughts into a rough draft, but not finalize yet. I would be willing to meet three times in May but think two meetings is enough.
- I agree. We need to get all our thoughts collected so when we go to the final we don't have to re-examine all the material. There is no question there will be changes.
- Postponing makes a lot of sense. I defer on fleshing out the major points of the letter.
- What about the timing. When is the letter going to be sent? Won't we be crossing over into a new Panel in July? The current Panel would be communicating to a future Panel. I suggest we call what we put together a summary rather than a letter.
- The letter could remain in draft and be signed in the fall by the current Panel members.
- I agree with the concern about Panel member terms ending and who will sign.
- I agree with the proposal to draft a letter and then hold

Q: Could SPU ask the Council to extend the terms for current Panel members? **A:** ***We will look into this.***

Karen Reed summarized that the Panel agreed to put their thoughts together for the letter, to not do wordsmithing at this point, and review the thoughts when reconvened.

SPU in the News. Mami discussed an editorial in The Seattle Times on April 12 about City Auditor findings around Seattle City Light's (SCL's) billing practices. Several Panel members saw the article. Mami said SPU is uniquely positioned in its billing practices. SPU reads meters regularly and has not reduced meter reading staff in the past 5 years. This keeps the number of estimated meter reads very low. SPU also bills regularly and currently has no billing backlog. SPU also collects regularly. SPU briefly stopped shut-offs in August 2016 while the Customer Care & Billing system (CC&B) was implemented but quickly restarted collections 6 months later. When SPU implemented its new billing system, we anticipated additional billing inquiries from customers and took the following actions to reduce backlog:

- Increased Contact Center staff to support call volume
- Extended hours to 7:00 pm and 4-hours on Saturday
- Processed emails back log in overtime to decrease call volume and repeat calls

COVID-19 Response by SPU. Mami shared an update of actions taken by SPU to assist customers during the COVID crisis.

- Stopped shutoffs of water on March 10, preventing 2,497 shut-offs
- SPU followed Mayor's executive order and continued shutoff moratorium, impacting an additional 3,000 customers facing shutoffs (as of April 16)
- Waiving late fees
- Initiated Utility Discount Program (UDP) self-certification
- Extended payment plans to customers facing negative impacts from COVID

Comment: Kudos to SPU. Glad that payment plans have been extended.

Mami continued her report. There will be significant financial impacts to City General Fund revenues. A hiring freeze is in effect as well as a hold on new or renewed contracts. Employees are feeling stressed and we are increasing communication with them.

To help unsheltered residents, Parks District stand-alone bathrooms are open and being maintained. Certain libraries will also open their restroom facilities. SPU has been assisting in mapping locations of restrooms to ensure good coverage and is working to fill in the gaps.

Keri Burchard-Juarez continued the COVID update. Keri has taken over the Incident Commander position. Section Chiefs and others on various Incident Command Structure (ICS) teams are being rotated in order to prevent burnout. SPU, in coordination with the Emergency Operations Center (EOC) has developed 10 incident objectives. Most are complete and there are some new ones. In the past, SPU has invested a lot to make sure many staff are trained for these situations and ready to step into incident roles when needed.

Q: What are some examples of SPU's incident objectives? **A:** Implementing exposure and reporting guidelines, switching to essential personnel, developing staff rotations for ICS, health checks, recovery planning and recognition of front-line staff.

Quarterly Reporting: CIP Update. Keri updated the Panel on a capital projects review exercise. SPU participated in a 2-day stand down for all capital projects in construction on April 9 – 10. The purpose was to review contractors' revised Health and Safety plans, ensure contractors were performing health checks on employees before reporting to job sites, ensure contractors' employees are wearing appropriate PPE and ensure City Construction Management staff and inspectors are trained on how to hold contractors accountable to their Health and Safety Plans. All SPU projects were back in construction on Monday, April 13. In general, SPU capital projects are moving forward. SPU paused on the award and execution of new construction contracts between March 23 and April 10 to focus on health and safety protocols for projects already in construction. SPU began awarding new contracts again on April 13.

Financial Update: Paula Laschober, Chief Financial Officer, provide the Panel with Q4 2019 update.:

- **Water fund:** Both operating and capital were underspent. For operations, this was due to vacancies. For capital this was due to delayed spending on transportation projects. Retail and wholesale revenue were below forecast due to unfavorable weather during the peak season. Other revenue was below forecast due to a deposit into the Revenue Stabilization

Account.

- **Drainage and Wastewater (DWW) Fund:** Expenditures in both operating and capital were underspent due to vacancies and delayed spending on transportation projects as well as delayed rehabilitation projects. Operating revenue was higher due to lower UPD costs (enrollment more in multi-family versus single-family). Commercial revenues were up due to no impact from snowstorm and no economic slowdown.
- **Solid (SW) Fund:** Expenditures in both operating and capital were underspent due to service contract savings, vacancies and delayed technology projects. Operating revenue was higher on the residential side due to a shift in UPD enrollment to multi-family. Commercial revenue was higher due to strong construction related activity. Other revenue was above forecast due to strong transfer station activity.

Q: Going forward do we know what the expenditures will be? What about deferred maintenance or projects? **A:** We will put in a proposal to CBO and report back when we hear. We need to keep our systems in good working order.

Q: Were DWW revenues up due to UDP consumption of multifamily homes being lower the single family? **A:** Yes.

Strategic Business Plan (SBP) Update. Natasha Papsoueva, Corporate Performance Director, updated the Panel on the Q4 2019 SBP progress. At the end of 2019, 19 service level indicators were meeting/exceeding targets. These are the best results since the start of 2019. Four indicators were not meeting targets, but 2 of those 4 improved over Q3 2019. Of the 10 action plans, 4 are on track and 6 are facing delays.

Q: How are we tracking progress on facilities? **A:** ***We will follow up with you to determine the best way to capture overall performance of that action plan.***

Rate Path Update: Paula Laschober began the update by reminding the Panel of rate path adopted for the 2018-2023 SBP of 5.2% average annual rate increases, which was later revised downward to 5.0%. Paula then reviewed 2021-2026 rate path projections which initially assumed King County Treatment annual rate increases of 4.5% in 2021-2022 and 4.0% in 2023 through 2026. This projection put the 2021-2026 rate path at 3.9% average annual increases. Paula reminded the Panel of the major baseline rate assumptions:

- **Water fund:**
 - Declining demand
 - Lower tap revenue growth
- **DWW Fund**
 - Declining demand
 - Reduced development fees
- **SW Fund**
 - Reduced commercial demand
 - Reduced transfer station fees
 - Rate Stabilization Fund withdrawal in 2020

- **All Funds**
 - Additional UPD enrollment
 - Cash flow delays

In addition, SPU expects reductions in both O&M and CIP.

Paula showed the Panel an updated 2021-2026 rate projection revised baseline that includes updated rate increase amounts for the King County treatment plant and COVID assumption. The new King County assumptions are 4.5% rate increase in 2021-2022 and then 10.25 % every other year from 2023-2030. This revised baseline shows the rate path at 4.2% average annual rate increases.

Q: Did anyone ever hear why King County did this rate increase without explanation. **A:** No, we still don't have an explanation.

Paula then presented a Green New Deal jobs scenario projection. This projection assumes SPU puts money into green jobs to help recovery during an economic slowdown. This projection shows the rate path at 4.3%. The numbers used are conservative and speculative, based on an assumption of \$16.5M in new Green jobs: expenditures in 2020 and 2021.

Paula also presented the Panel with a Recession Rate scenario projection. The rate path with this scenario is 4.3%. Recession rate assumption include:

- **Water Fund:** declining retail demand, lower tap revenue growth, transfers to rate stabilization fund all through 2021
- **DWW Fund:** declining demand, reduced development fees through 2021
- **SW Fund:** reduced commercial demand and transfer station fees through 2021; transfers to rate stabilization fund in 2020, 2021
- **All Funds**
 - Additional UPD enrollment of 5,000 through 2020 and 3,000 in 2021
 - Cash flow delays in 2022

Q: Do you have any specifics on deferrals on facilities projects? **A:** We did decrease some plans for Seattle Municipal Tower as we discussed last time. The North Operations Center was lower and there was a slight drop in South Operations Center. The combined net effect was a decrease. There have been no additional changes since the last presentation.

Q: Regarding the Green New Deal proposal, it would be helpful to see what action items those relate to. **A:** *We will follow up with that information.*

Q: Why didn't the rate change with the COVID assumptions? **A:** We have lots of cash to draw on and a rate stabilization fund to help cushion us.

Q: Regarding the Green New Deal (GND), there is talk about the City having its own GND in place. Is that driving the conversation and potential for rate impact? **A:** No – it was not driven by council action or request. SPU is working on different scenarios for recovery and the economic forecast and what SPU's response to those might be. What we provided is very speculative.

Comment: Congratulations on being able to keep the rates the same.

Comment: It's reassuring to see that rates don't jump.

Q: I am hearing several different scenarios about what could happen, including doing new, great things, but I'm not sure why. Why weren't we doing these things before? **A:** SPU is anticipating a downturn in the market and maintenance and construction will be lower. As work diminishes due to fewer development dollars, we should be able to get a better price. Things should get cheaper but that hasn't happened yet. Another driver is to design our work so that we maximize the opportunity to get people working. The example was if we needed to self-fund. We can talk more about the design of these projects.

Q: With all the hand washing taking place, has water usage increase across the City? **A:** We have been tracking demand carefully. For the past few weeks it has been lower due to the weather. It's still too early to tell for Seattle if usage is up.

Affordability Benchmarking. Kevin Buckley, DWW, presented benchmarks that DWW LOB may use to assess the community and customers' ability to afford the costs associated with negotiation of the changes to Consent Decree for the Combined Sewer Overflow (CSO) program. Every five years SPU must provide the Washington State Department of Ecology (DOE) with an updated CSO plan so that they can reissue our CSO permit. SPU is looking at two aspects of affordability: Community Affordability and Customer Affordability.

Community Affordability assesses the ability of the community to support capital investments associated with the CSO program. The Environmental Protection Agency (EPA) considers this information when determining the length of the CSO program implementation schedule. Two factors are used to evaluate community affordability:

- Residential Indicator – uses Median Household Income (MHI) of the community to determine the cost of the CSO program per household.
- Permittee Indicator – uses data on the financial health of the permittee.

SPU's rating is =2.04% or Medium Burden. This is the same as in 2014 when SPU received Consent Order for the CSO program. According to this framework, our community is not overly burdened by the cost of the CSO program and EPA is not going to allow extra time to implement the CSO program. Weaknesses with this metric are that it uses Median Household Income and does not account for essential costs of living.

Customer Affordability evaluates the impact of the cost of the CSO program on households. These metrics have been promoted by National Association of Clean Water Agencies (NACWA) as an alternative to the community affordability metric. To date, EPA has not adopted them. SPU is using the national organizations' affordability metrics to better understand the impacts of the costs on our customers along with the EPA Framework that is focused on the community as a whole to inform our CSO program. Kevin reviewed four different approaches that have been proposed:

- (1) Household Burden Indicator (HBI): calculated by dividing the total annual water service costs (water, wastewater and drainage) by the upper limit of the annual income of the 20th

percentile (Lowest Quintile) of households. Focus is on single family households as calculating for multifamily is difficult because many tenants do not pay their own water/sewer bills. Seattle is currently at 6.4%, which is below the benchmark of 7% set by the national organizations. By 2031 when the CSO program is fully implemented the metric is at 10.7%.

- (2) Poverty prevalence, using 200% of the federal poverty level. 21% of the households in Seattle are living at or below the 200% Federal poverty level.

The next two metrics are not part of the national organizations' recommendations to EPA but SPU believes they add to and further explain customer affordability in Seattle. These metrics were developed by Manny Teodoro, professor at Texas A&M University.

- (3) Affordability Ratio is for the 20% quintile income customers who are considered low income but may not be eligible for public assistance. The metric considers the actual water, wastewater and drainage costs as a percent of disposable income for those customers and helps factor in the high cost of living in Seattle. The focus is on single family households. This metric indicates that customers living at the 20% quintile spend 21% of their adjusted disposable income on their utility bills. This percentage grows to 46% by 2031 when the CSO program is fully implemented.

- (4) How many hours at \$15/hour (minimum wage) does a customer have to work to pay for their bi-monthly utility bill. Currently these customers have to work almost 11 hours to pay for their utility bill. There is no benchmark for this metric so it's up to users to determine what level is affordable.

SPU does not have all the formed numbers for the metrics at this time so will be working to revise as these numbers become available. These have not been shared with EPA or Ecology yet as we are still evaluating how best to include in the CSO plan update.

Q: Is this work being done in order to get the CSO permit updated? **A:** Yes.

Q: How transferable is this data to other LOBs? **A:** It's very transferable and has been integrated into our financial model. Solid Waste has not yet been integrated.

Q: Regarding UDP, what percentage of customers are already captured in this model? **A:** We don't know how UDP eligible customers break down with the quintiles. ***We can show this next time.***

Q: Will this benefit the renegotiation of the Consent Decree? **A:** Yes. Affordability is something they will consider when setting the schedule. This information will be used in our conversation about pushing out the implementation date beyond 2030.

Q: Regarding the slide indicating how many hours a customer has to work to pay their bills, is this typical for minimum wage earners only or the entire customer pool? There seems to be a mismatch. You are describing a population with less resources. Aligning customer better may help make the case. **A:** SPU calculated this based on the average utility bill based on average

consumption and drainage use. The metric is only applied to for minimum wage customers. We do not have the ability to break out utility bills by customer income level. Being low income doesn't mean you are using fewer resources.

Comment: It was mentioned King County went through this a year before SPU. **A:** Yes, King County is trying to do a similar analysis because they also need to renew their permit. The King County rate increases are not factored into what we have shown. King County has a rate base different from ours. We are working to have a good combined story to tell.

SBP Key Performance Indicators. Natasha Papsoueva began the presentation by showing the Panel a comparison between how the SBP updates are currently handled and how they will be handled in the future. The main change is that is that Action Plans, Council Deliverable and Mayoral Priorities would all be reported together under the heading of SBP Initiatives & Investments.

The proposed structure of the **2021-2026 SBP** has **four focus areas:**

- (1) **Delivering Essential Services** (reported by quarterly Service Delivery Metrics)
- (2) **Stewarding Environment and Health** (reported by status of initiatives and investments on a quarterly or annual basis)
- (3) **Empowering Our Community and Employees** (reported by status of initiatives and investments on a quarterly or annual basis)
- (4) **Strengthening Business Excellence** (reported by status of initiatives and investments on a quarterly or annual basis)

The **rate path** and **Capital investments** will be reported on annually and quarterly, respectively.

Service Delivery Metric Reporting will include 12 – 20 metrics the demonstrate delivery of reliable and responsive services to SPU's customers. There will be 3 – 5 metrics per Line of Business (LOB)/service area which will align with the LOB system plans.

Initiative and Investment reporting will include 15-20 initiatives and investments selected to demonstrate impacts and progress related to the four focus areas. Natasha showed the Panel an example of how reporting on initiatives and investments, rate path and affordability metrics and CIP reporting might look. She also showed the Panel an example of how a summary of progress in each focus area might look.

Karen Reed asked about the timeline for bringing the reporting proposal back to the Panel. Natasha said that would happen in the fall.

Q: Regarding the CIP reporting, will it be done by neighborhood? **A:** We could look at reporting by neighborhood, that's a good suggestion. We are trying to highlight what is most impactful.

Panel Business. Noel Miller, Panel chair, commented on the suggestion that the Panel members sign the cover letter historically found at the beginning of the SBP. Because the timeline for delivering the SBP has changed, the Panel may not need to decide this right away. The Panel is advocating on its own to SPU, the Mayor and the City Council. Past comments demonstrate

independence in areas such as utility tax collection, impacts of Move Seattle, SDCs and the cost of city-wide initiatives. Panel members should be free to speak their minds. I'm not sure how that meshes with having a joint letter in the SBP. The letter coming from Mami makes the most sense from my perspective.

- Laura: How about a separate letter more toward the fall or winter when we are wrapping things up?
- Rodney: I echo Noel's comments. As a stand-alone panel that would be signing on to SPU's letter. We should present our own document to the Council
- Suzie: Our CRP letter is stronger when we are free to say our concerns.
- Bobby: I don't see a conflict between the Panel letter and an invitation letter. The invitation letter is general and doesn't attach us to projects. Doing both is ok.
- Dave: As long as there is a good firewall between working together being separate from saying something as an independent body.
- Maria: I agree with Dave and Bobby.
- Thy: I prefer to keep it clear that the roles are different. Historically the letter has been from Mami. As the leader of SPU I feel like it's a great opportunity for Mami to represent employees of the utility in a nice way. It's less important that the CRP be on the letter.
- Puja: I agree with Bobby. There is no conflict.

Karen Reed said since the Panel is split on this issue, we will hold off making a decision. Karen asked staff if the Panel would see a text only draft of the SBP soon. Mami said SPU is looking a draft now and it will be delivered to the Panel as soon as possible.

Karen asked the Panel how they would like to go about starting a discussion once the draft is sent to the Panel. It was suggested the Chair and Co-Vice Chair could put a list of issues/questions together to use a starting point for the full Panel discussion. The Chair and Co-Vice Chairs are willing to do this. Other Panel members were supportive of this idea as long as it did not put too much of a burden on the Chair and Co-Vice Chairs. Karen asked each Panel member if they had specific issues they want included in their letter. Comments included:

- Noel: Side sewer financial assistance program is on my list.
- Laura: the usual factors
- Rodney: System reliability and it effects RSJ ad the rate path
- Suzie – Side sewer assistance and how the financial piece would work. Metro ability to dump costs onto citizens
- Bobby – nothing specific at the moment
- Dave – nothing specific at the moment
- Maria – Side Sewer rate assistance
- Thy – Apprenticeship program and effort to hire WMBE firms

The one-pager for letter notes will be re-sent to the Panel members. Noel, Rodney and Laura will send bullet points to the rest of the Panel by the next meeting. We will try to finish up by the end of the May 18th meeting.

Karen invited the Panel to offer any last comments.

- Noel: What are the topics for the May 1st meeting? **A:** Follow-up on questions and a discussion about the draft letter.
- Laura: If we aren't finalizing the letter until January, why do we have so many meetings in May? I think we should have more meeting later rather than now.
- Rodney: When will we hear the RSJ presentation? **A:** Probably in the fall.
- Comment: Glad that RSJ hasn't dropped off. That action item doesn't have any definition around it.
- Suzie – keep in mind some of us might not be here in the fall.
- Dave – I echo Laura's point. We need to wind down sensibly.
- Maria: Let's wind down, but not too much. Lot of issues will be pushed to the fall and I worry about capacity issues.
- Thy: I have limited availability at this time but will join in where I can.

The meeting was adjourned at 3:58 pm.