

Affordability

**Discussion with Customer Review Panel
September 26, 2013**

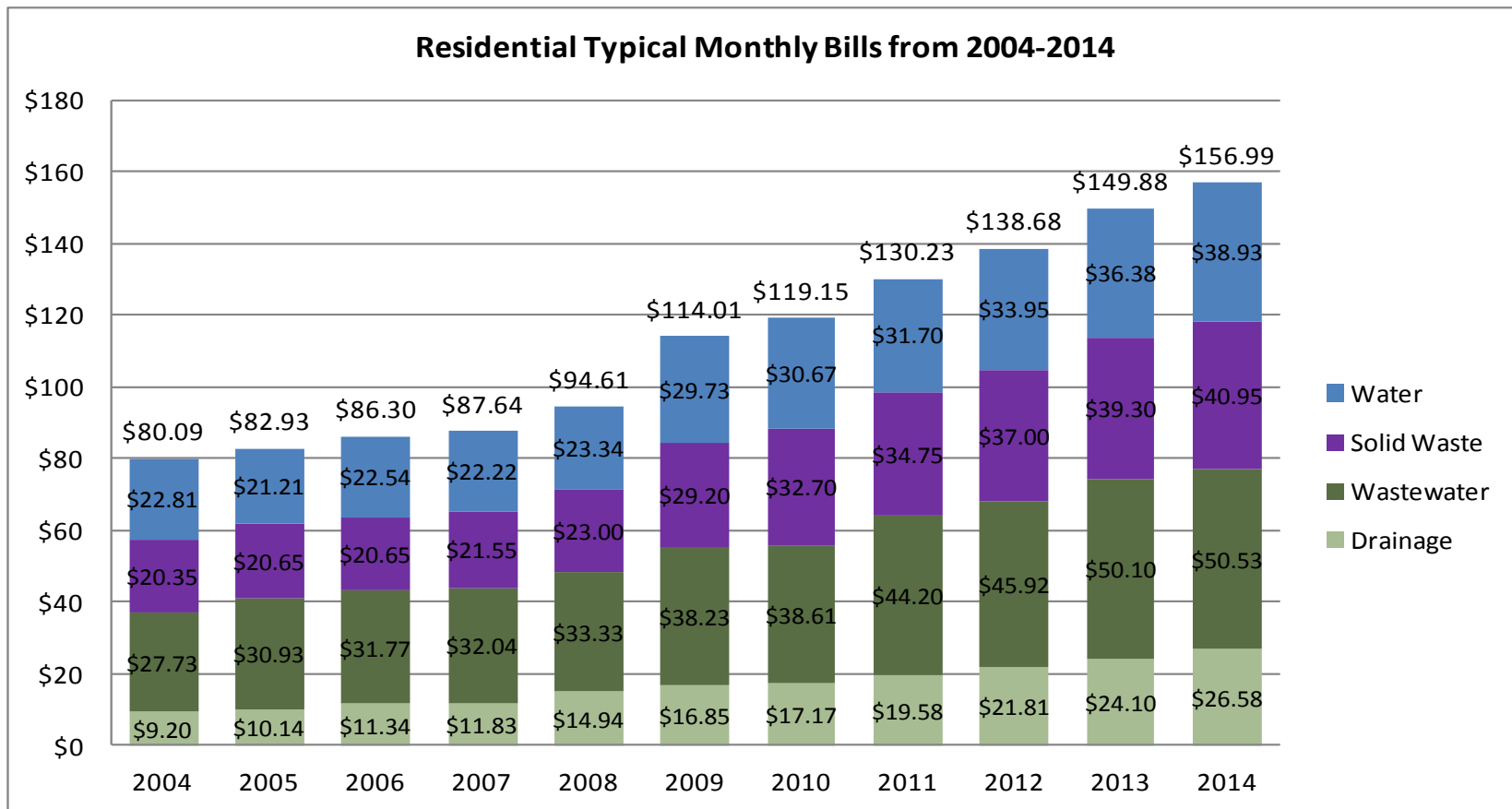
Seattle
 Public
Utilities

Affordability

- Some utility bill comparisons: over time, among utilities, and as a % of household expenditures
- Some thoughts on affordability definitions
- 5 ways to improve affordability
- Looking beyond 2020: Panel request for information on when costs level out?
- General question to Panel

SPU Monthly Charges Over Time for a Typical Residential Customer

Average annual increase of 7% over this period (4.2% after adjusting for inflation)



Bill Comparisons: Regional Utilities and Other Large Utilities

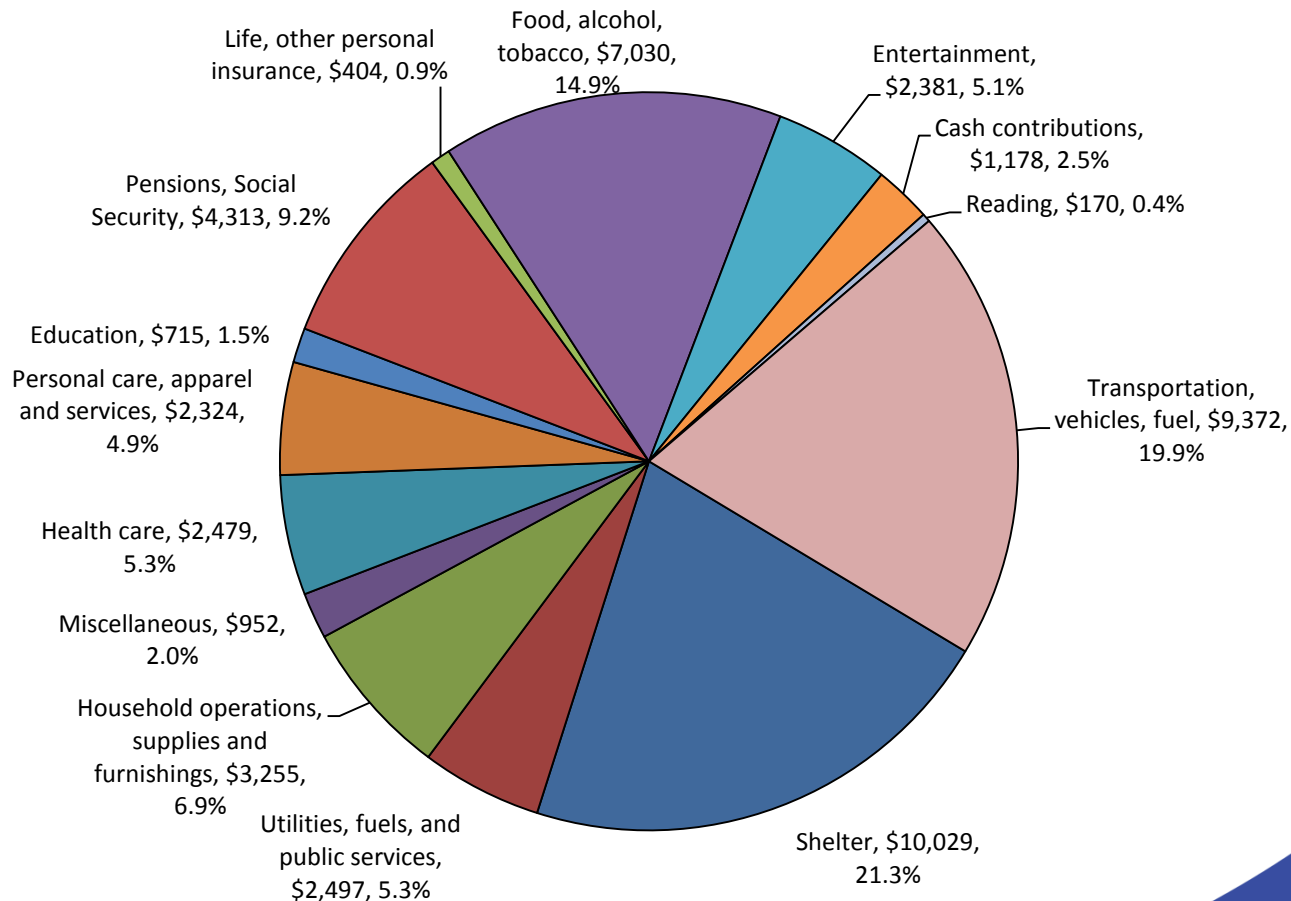
2012 Typical Residential Customer Utility Bills

Utility Type	Seattle	Kirkland	Bellevue	Tacoma	Portland	San Francisco	Atlanta
Drainage	\$21.81	\$18.13	\$18.26	\$17.82	\$23.90	\$0.00	\$4.00
Wastewater	\$45.92	\$68.79	\$53.06	\$42.94	\$42.00	\$46.87	\$108.08
Solid Waste	\$37.00	\$22.02	\$19.24	\$36.55	\$32.40	\$34.08	\$32.93
Water	\$33.95	\$42.55	\$36.01	\$28.27	\$27.85	\$33.10	\$42.64
Total	\$138.68	\$151.49	\$126.57	\$125.58	\$126.15	\$114.05	\$187.65

Consumer Expenditures in Seattle - 2001

Utilities are 5.3% of expenditures in 2001

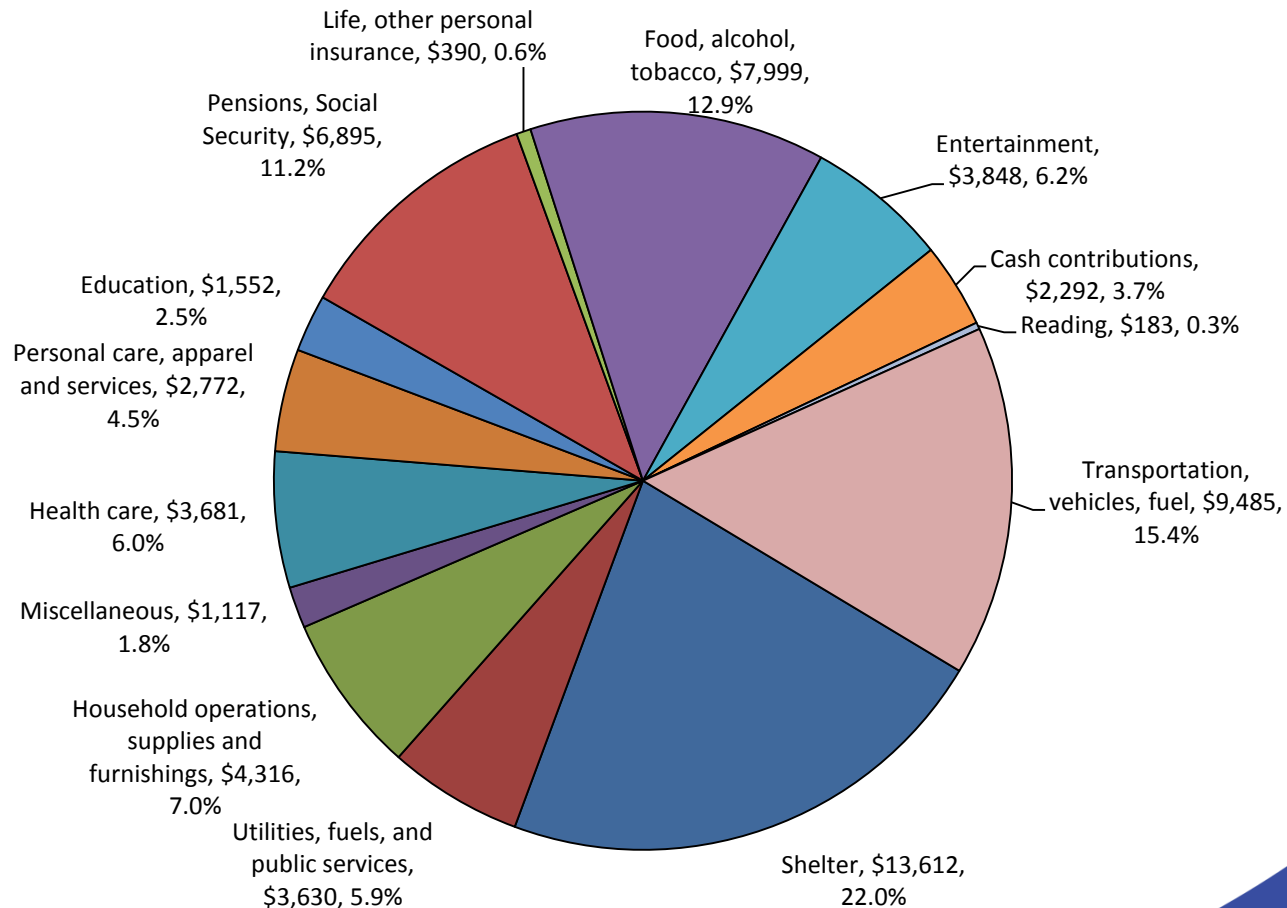
Seattle MSA Consumer Unit Expenditures - 2001



Consumer Expenditures in Seattle - 2011

Utilities are 5.9% of expenditures in 2011

Seattle MSA Consumer Unit Expenditures - 2011



Affordability: Some Thoughts on Definitions

- General definition addresses concept that everyone should be able to meet basic needs
- There are varying definitions; no “magic metric”
- Council discussed affordability last year during SPU rate reviews
 - Looked at rate caps (no increases above inflation; no increases above inflation plus 2%)
 - Chose instead to look holistically at costs and services, via a Strategic Business Plan

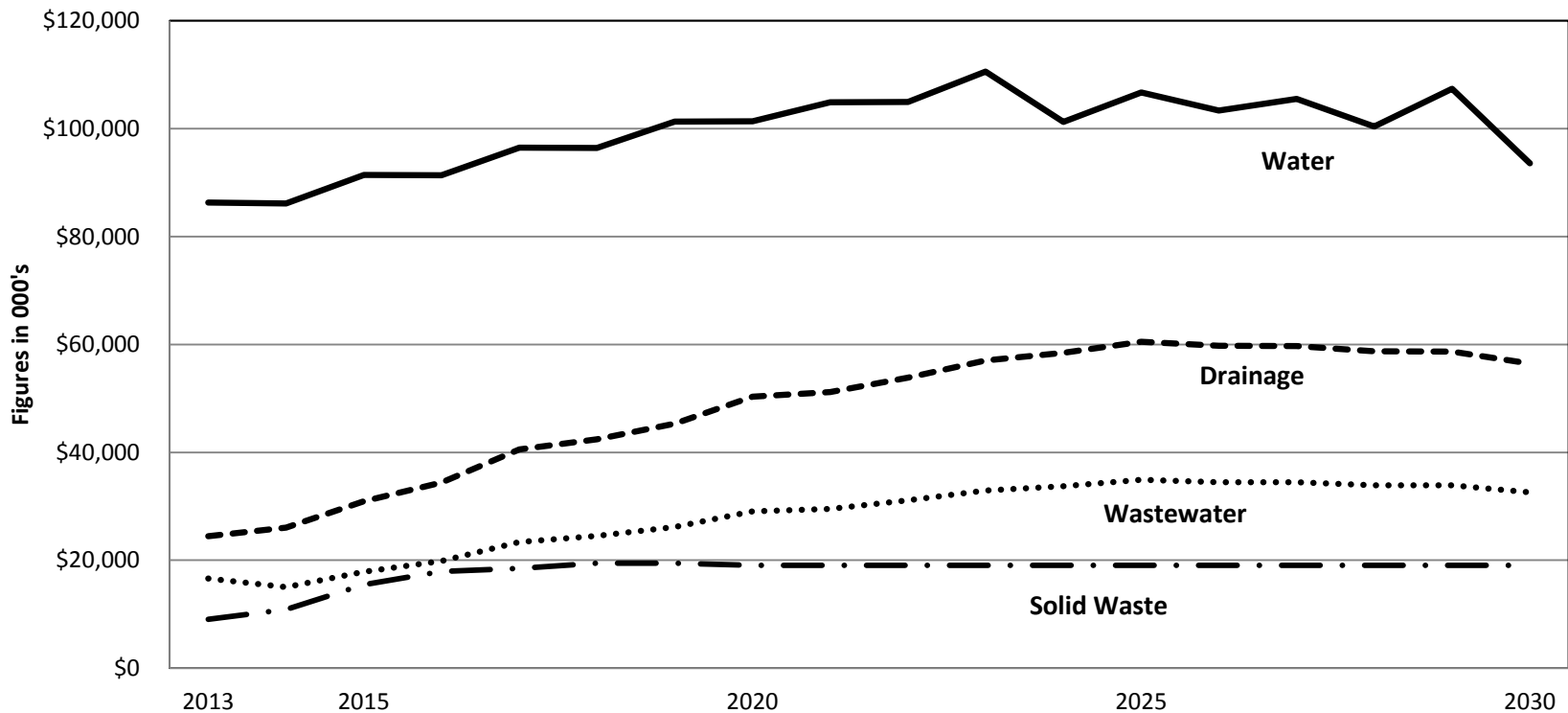
Affordability: 5 Ways to Improve Affordability

- *Keep Costs Down* – provide services as efficiently and effectively as possible; reduce or eliminate low priority activities
- *Set Predictable Charges* – customers can more easily budget for charges that are predictable
- *Offer Conservation Programs* – offer programs to customers that allow them to use less of the service or product
- *Subsidize “subsistence” usage levels* – structure rates to promote affordability at low consumption levels
- *Support to lower income customers* – offer rate assistance to customers least able to pay

Affordability: Looking Beyond 2020

Capital Costs Level Out by 2025

Debt Service Payments 2013-2030



Affordability: Question to Panel

Initial observations/reactions to baseline rate increase levels as it relates to affordability?